HOYA

# Notice of the 77th Ordinary General Meeting of Shareholders

## Information for the meeting

**Date and time of meeting:**
June 19 (Friday), 2015
Start accepting 9:00 a.m.
Opening of the meeting 10:00 a.m.

**Location**
Bellesalle Shinjuku Grand (Event Hall)
8-17-3 Nishi Shinjuku, Shinjuku-ku,
Tokyo, Japan

HOYA CORPORATION

Security Code: 7741

# Message from President & CEO

Dear Shareholders,

I would like to express my thanks for your continued patronage.

I am delighted to present this convocation notice of the 77th Ordinary General Meeting of Shareholders of HOYA CORPORATION to be convened on Friday, June 19.

The HOYA Group is working toward sustainable growth as a company by optimally allocating its investments in accordance with the needs of the age and swiftly changing business contents, based on the concept of "Portfolio Management."

During the fiscal year under review, while we have devoted significant management resources to the Life Care business, which is a growing segment, and accelerated its growth, in the Information Technology segment, we have improved the profitability by further increasing its technological competitiveness. Consequently, for the fiscal year under review, the HOYA Group posted record sales, profit before tax and profit, and its operating results have remained favorable.

Currently, the HOYA Group has positioned the Life Care segment as a growing business and has been actively implementing initiatives for expanding its market share, entering into untapped markets, and nurturing and obtaining new technologies. Especially, during the fiscal year under review, we have launched a multi-brand strategy including SEIKO in the eyeglass lenses business and have strengthened the foundation for further growth in the global market. For each business in the Information Technology segment, we have established a stronger position as a result of our continued efforts including enhancement of technological capabilities in cutting-edge areas and cost reduction.

The HOYA Group continually seeks to diversify its portfolio and improve its corporate value.

I sincerely ask for your continued support.

Hiroshi Suzuki
President & CEO

# Corporate Mission

"Dedicated to innovation in
information technology,
lifestyles and culture,
HOYA envisions a world
where all can enjoy the good life,
living in harmony with nature."


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# HOYA Group's Businesses

Based on the concept of "Portfolio Management," HOYA has developed businesses focused on two segments, Information Technology and Life Care, utilizing optical and precision processing technologies it has nurtured.

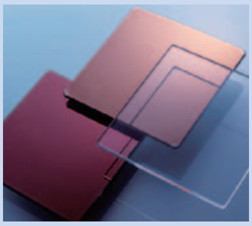
## The HOYA Group contributes to the realization of an affluent society with its overwhelming technological capabilities.

## 37% Information Technology

### Electronics

Deals in glass-made components and materials essential for manufacturing semiconductors, LCD panels and HDDs.

- Mask blanks and photomasks for semiconductor manufacturing
- Photomasks for LCD panel manufacturing
- Glass disks for HDDs



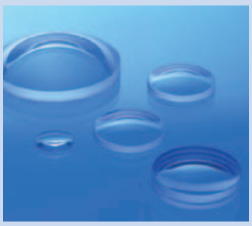
Mask blanks for semiconductor manufacturing

Glass disks for HDDs

### Imaging

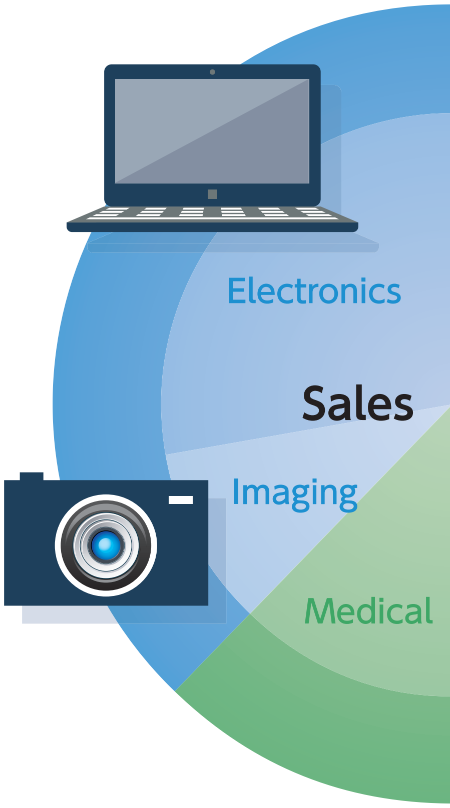
Deals in optical lenses, optical glasses and lens modules for cameras, microlenses for DVDs and Blu-ray, etc.

- Optical glasses and optical lenses
- Lens modules
- Plastic lenses
- Laser-related equipment



Optical lenses

Lens modules for compact camera

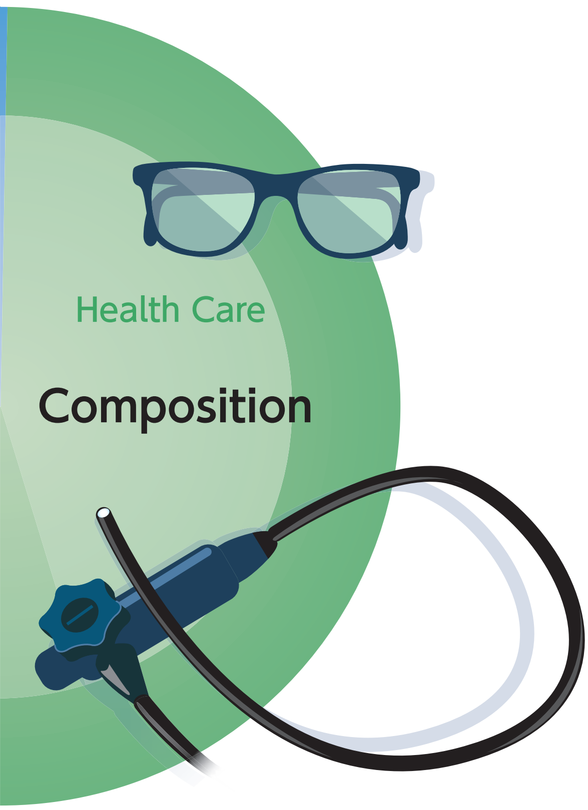


The market for the Life Care segment is expected to expand on a long-term basis thanks to the aging of world population and improvement in living standards in emerging markets, and the Information Technology segment responds with its overwhelming technological capabilities and competitiveness to the innovation in the digital society. Positioning the Life Care segment as a growing business and the Information Technology segment as a business with stable earnings, the HOYA Group strives to maximize its corporate value and achieve sustainable corporate growth by efficiently investing in both segments.

## Life Care 63%

### Focusing on eye care, the HOYA Group aims to improve QOL (quality of life) of people around the world.

## Composition




### Health Care

Engages in manufacturing and sales of eyeglass lenses and operation of "Eyecity," contact lens specialty stores.

- Eyeglass lenses
- Contact lenses
- "Eyecity," contact lens specialty stores


Eyeglass lenses

"Eyecity" store

### Medical

Main products are medical endoscopes, intraocular lenses for cataracts, apatite products that are prosthetic fillers for bone defects, etc.

- Medical endoscopes
- Intraocular lenses for cataracts
- Artificial bones/ metallic orthopedic implants


Medical endoscope


Metallic orthopedic implants

Note: As we execute consolidated group management, the term "HOYA" herein refers to "the HOYA Group" in reference to its history, activities, operating results, etc. In particular, statements concerning HOYA on a nonconsolidated basis are written in the form of "HOYA Corporation" or "HOYA Corp."

Security Code: 7741
May 29, 2015

# Notice of the 77th Ordinary General Meeting of Shareholders

Dear Shareholders:

Notice is hereby given that the 77th Ordinary General Meeting of Shareholders of HOYA CORPORATION ("the Company") will be held as set forth below and you are cordially invited to be present at such meeting.

Since voting rights can be exercised in writing or via the Internet even if you are not present at the meeting, please go over the information set forth in the accompanying Reference Materials for the General Meeting of Shareholders and, following the "Information on exercising the voting rights" on pages 8–9, cast your vote, either by sending back the enclosed voting form indicating your approval or disapproval of the Proposals, or entering your approval or disapproval of the Proposals from the voting site designated by the Company (http://www.evote.jp/) no later than 5:45 p.m. on Thursday, June 18, 2015 to exercise your voting rights.

Yours very truly,

HOYA CORPORATION
2-7-5 Naka-Ochiai, Shinjuku-ku, Tokyo, Japan
Hiroshi Suzuki
Director, President & CEO

Description

**1. Date and time of meeting:** 10:00 a.m., Friday, June 19, 2015

**2. Location:** Belle Salle Shinjuku Grand (at Event Hall)
8-17-3 Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan
(Please note that there is another similar named hall in the neighborhood. Please ensure that you go to the correct hall by referring to the information map for the location at the end of this document.

**3. Agenda:**

**Matters to be reported:**

1) Reports on the Business Report and the Consolidated Financial Statements for the 77th fiscal year (from April 1, 2014 to March 31, 2015) and the Audit Reports of the Consolidated Financial Statements for the fiscal year by the Accounting Auditor and the Audit Committee.

2) Reports on the Non-consolidated Financial Statements for the 77th fiscal year (from April 1, 2014 to March 31, 2015).

**Matters to be resolved:**

〈A matter proposed by the Company (Proposal No.1 to No. 3)〉

**Proposal No. 1:** Election of Six (6) Directors
**Proposal No. 2:** Partial Amendment to the Articles of Incorporation (1)
**Proposal No. 3:** Partial Amendment to the Articles of Incorporation (2)

〈Matters proposed by shareholders (Proposals No.4 to No.21)〉

**Proposal No. 4:** Dismissal of Six (6) Directors
(1) Dismissal of Director Hiroshi Suzuki
(2) Dismissal of Director Yukiharu Kodama
(3) Dismissal of Director Itaru Koeda
(4) Dismissal of Director Yutaka Aso
(5) Dismissal of Director Mitsudo Urano
(6) Dismissal of Director Yukako Uchinaga

**Proposal No. 5:** Election of Directors

**Proposal No. 6:** Partial Amendment to the Articles of Incorporation
(Individual disclosure of executive compensation)

**Proposal No. 7:** Partial Amendment to the Articles of Incorporation
(Separation of roles of Chairperson of the Board of Directors and President & CEO)

**Proposal No. 8:** Partial Amendment to the Articles of Incorporation
(Disclosure of information regarding the decision-making policy on compensation for Directors and Executive Officers)

**Proposal No. 9:** Partial Amendment to the Articles of Incorporation
(Directors' Mandatory Retirement at 70 Years of Age)

**Proposal No. 10:** Partial Amendment to the Articles of Incorporation
(Appointment of Directors aged 40 or younger)

**Proposal No. 11:** Partial Amendment to the Articles of Incorporation
(Provision relating to the structure allowing shareholders to recommend candidates for Directors to the Nomination Committee and equal treatment)

**Proposal No. 12:** Partial Amendment to the Articles of Incorporation
(Provision relating to communication between shareholders and Directors and relevant handling)

**Proposal No. 13:** Partial Amendment to the Articles of Incorporation
(Disclosure of relationship with the Employee Stock Ownership

| | |
|---|---|
| | Association of HOYA CORPORATION) |
| **Proposal No. 14:** | Not to Reappoint the Accounting Auditor |
| **Proposal No. 15:** | Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to handling of shareholder proposal rights) |
| **Proposal No. 16:** | Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to the relationship between the Company and Mr. Katsutoshi Kaneda) |
| **Proposal No. 17:** | Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to requests to Tape Rewrite Co., Ltd.) |
| **Proposal No. 18:** | Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to discontinuation of inorganic EL research) |
| **Proposal No. 19:** | Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to the suspension of rational creation of new businesses over the past 25 years) |
| **Proposal No. 20:** | Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to the business relationship with Kenko Tokina Co., Ltd.) |
| **Proposal No. 21:** | Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to appropriateness of hereditary succession of the corporate manager and the effect on shareholder value) |

For an outline of each of the proposals, please refer to the accompanying Reference Material for the General Meeting of Shareholders.

**[Matters published on the Internet]**

(1) Of the matters to be included in this notice pursuant to laws and regulations and provisions of Article 16 of the Articles of Incorporation of the Company, Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are disclosed on our website (http://www.hoya.com/) instead of being included in the accompanying Business Report. Therefore, the documents attached to this Notice constitute a part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the accounting auditor in preparing its Audit Report.
(2) If any revision takes places in the accompanying Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Non-consolidated Financial Statements, it will be published at the Company's website on the Internet (http://www.hoya.com/).

**[Precautions for exercising the voting rights by proxy]**

If attending the meeting by proxy, the proxy must present to the receptionist at the meeting an item showing authority to act as proxy, with a signature or name and seal of the shareholder who entrusted the service as proxy, together with the voting form of the said shareholder or a copy of a form of ID (seal registration certificate, driver's license, etc.). The proxy must be another shareholder of the Company having voting rights as provided under the Articles of Incorporation of the Company.

## Information on exercising the voting rights

As the exercise of voting rights in the Ordinary General Meeting of Shareholders is the important right of all shareholders with votes, please go over the information set forth in the accompanying Reference Materials for the General Meeting of Shareholders and exercise your voting rights.
The exercise of voting rights is subject to the following three ways:

**1. If you attend the meeting**

If you are attending the meeting, please present the enclosed voting form to the receptionist at the meeting.

**2. If you are exercising your voting rights in writing**

If you are exercising your voting rights in writing, please indicate your approval or disapproval of the proposals on the enclosed voting form and send us by post so that the Company can receive your form by **no later than 5:45 p.m. on Thursday, June 18, 2015**. Please refer to **[Handling of voting rights]** when indicating your approval or disapproval of the Proposal on the voting form.

**3. If you are exercising your voting rights via the Internet**

If you are exercising your voting rights via the Internet, please confirm the following precautions before exercising the rights.

Exercising of the voting rights via the Internet is accepted **until 5:45 p.m. on Thursday, June 18, 2015**, however, please exercise your rights at the earliest possible time, and if you have any questions concerning how to use the system please contact the help desk below.

Contact Information:
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division (Help Desk)
Tel: **0120-173-027** (Office hours: from 9:00 a.m. to 9:00 p.m., toll free)

**1) About the voting rights exercising site**

- The voting rights can be exercised via the Internet by a personal computer, a smart phone or a mobile phone (i-mode, EZweb, Yahoo!Keitai) (Note) only by accessing the voting rights exercising site designated by the Company (http://www.evote.jp/). (However, the service is suspended from 2:00 a.m. to 5:00 a.m. every day.)
  (Note) “i-mode,” “EZweb” and “Yahoo!” are trademarks or registered trademarks of NTT DOCOMO, Inc., KDDI Corporation and Yahoo! Inc. in the United States, respectively.
- It may not be possible to exercise the voting rights from a personal computer depending on the Internet environment of the shareholder in case firewalls or anti-virus software are set up on the personal computer, or a proxy server is used, etc.
- When you exercise your voting rights from a mobile phone, please use one of the following mobile phone services: i-mode, EZweb or Yahoo!Keitai. For security purposes, mobile phones that are not able to handle encrypted communications (SSL communication) and to transmit terminal ID information are not supported.

**2) How to exercise the voting rights via the Internet**

- On the voting website (http://www.evote.jp/), please enter the “Login ID” and “temporary password” which are stated on your voting form, and follow instructions on screen to enter your approval or disapproval.
- In order to prevent unauthorized access by third parties other than shareholders (so-called “spoofing”) and to prevent tampering with the content of the voting, please note that shareholders who use this function will be asked to change the “temporary password” on the voting website.

**3) Costs incurred when accessing the voting website**

Costs incurred when accessing the voting website (such as Internet connection charges and phone charges) are to be borne by the shareholders. When a smart phone or a mobile phone is used, packet communication fees and other smart phone or mobile phone usage fees are incurred, and these are also to be borne by the shareholders.

**[Handling of voting rights]**

- **If you indicate neither your approval nor disapproval of a proposal on the voting form, your answer will be deemed to be approval for a proposal proposed by the Company and disapproval for a proposal proposed by shareholders.**
- **⑧Ms. Yukako Uchinaga, ⑨Mr. Mitsudo Urano and ⑩Mr. Takeo Takasu the candidates for Directors listed in Proposal No. 5 proposed by shareholders are also listed as the candidates for Directors ②, ③ and ④ respectively in Proposal No. 1 proposed by the Company. Therefore, in order to avoid redundant voting for the same candidate, please indicate approval/disapproval for ⑧Ms. Yukako Uchinaga, ⑨Mr. Mitsudo Urano and ⑩ Mr. Takeo Takasu the candidates for Directors listed in Proposal No. 5 proposed by shareholders, as the candidates for Directors ②, ③ and ④ respectively in Proposal No. 1 proposed by the Company when exercising your voting rights by mail. Accordingly, for Directors listed in Proposal No. 5, please indicate approval/disapproval only for ⑦ Mr. Taizo Takayama, who is the only candidate not overlapped as the candidates for Directors in Proposal No. 1. If any indication regarding ⑧, ⑨ and ⑩was made in the column in Proposal No. 5, such indication will be treated as invalid.**
- **If you exercise your voting rights redundantly via the Internet and by mail, the voting rights exercised via the Internet shall be treated as valid.**
- **If you exercise your voting rights more than once via the Internet, the Company will regard the content of the last exercise as valid. Similarly, when you exercise your voting rights redundantly via a personal computer, a smart phone and a mobile phone, the Company will regard the content of the last exercise as valid.**

- End -

# Reference Material for the General Meeting of Shareholders

## <A matter proposed by the Company (Proposal No. 1 to No. 3)>

Proposal No. 1 to No. 3 is a proposal made by the Company.

### Proposal No. 1 Election of Six (6) Directors

The term of office of all of the seven Directors will expire at the close of this Ordinary General Meeting of Shareholders. It is therefore proposed that six Directors be elected in accordance with the decision made by the Nomination Committee.

The Nomination Committee has reported that according to the "Basis for Election of Candidates for Directors" established by the committee, each candidate for Director does not fall under any reason for disqualification and all candidates for both Inside Director and Independent Directors meet the requirements for such candidates.

The candidates for Directors are as follows:

| No | Name | Current positions and assignments at the Company | |
|---|---|---|---|
| 1 | Itaru Koeda | Director, Chairperson of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Independent |
| 2 | Yukako Uchinaga | Director, Member of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Independent |
| 3 | Mitsudo Urano | Director, Member of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Independent |
| 4 | Takeo Takasu | Director, Member of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Independent |
| 5 | Shuzo Kaihori | New candidate for Director,<br>New candidate for member of the Nomination Committee,<br>the Compensation Committee and the Audit Committee | Independent<br>New |
| 6 | Hiroshi Suzuki | Director, Representative Executive Officer<br>President & CEO | |

(Note) Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu and Mr. Shuzo Kaihori are candidates for the posts of Independent Directors. The Company has provided notice to the Tokyo Stock Exchange of Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano and Mr. Takeo Takasu as being independent directors appointed by the Company, in accordance with the Tokyo Stock Exchange's rules and regulations. Mr. Shuzo Kaihori also meets the requirements of an independent director in accordance with the Tokyo Stock Exchange's rule and regulations. Therefore, the Company plans to provide notice to the Tokyo Stock Exchange of him as being independent director appointed by the Company.

| No | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 1 | <br>**Itaru Koeda**<br>(Born on Aug. 25, 1941)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company] 6 Years<br>[Number of shares of the Company held] 5,000 Shares<br>[Number of attendances to the board meetings] 10/10 times (100%) | Apr. 1965 Joined Nissan Motor Co., Ltd.<br>Jun. 1993 Director of Nissan Motor Co., Ltd.<br>May 1998 Managing Director of Nissan Motor Co., Ltd.<br>May 1999 Executive Vice President of Nissan Motor Co., Ltd.<br>Apr. 2003 Representative Director of Nissan Motor Co., Ltd.<br>Jun. 2003 Co-Chairman of Nissan Motor Co., Ltd.<br>Jun. 2003 Chairman of the Board of Calsonic Kansei Corporation<br>Jul. 2003 Director of Renault S.A.<br>Mar. 2005 Chairman of JATCO Ltd.<br>Jun. 2008 Executive Advisor and Honorary Chairman of Nissan Motor Co., Ltd.<br>Jun. 2009 Director of the Company (present post)<br>Apr. 2015 Senior Advisor of Nissan Motor Co., Ltd. (present post)<br>**(Important positions of other companies concurrently held)**<br>Senior Advisor of Nissan Motor Co., Ltd. |

**Reason for the Selection of Candidate for Director**

The above candidate has been engaged in the management of Nissan Motor Co., Ltd. for many years, during which period he had the valuable experience of promoting a joint venture with Renault S.A. He has also made substantial contributions to the Board of Directors of the Company with his deep knowledge of the management of the Company as a manufacturer, based on his management experience in the manufacturing division for many years. The Nomination Committee has nominated him as a candidate for Director again this year, since it believes that he will give advice and execute supervision with respect to the management of the Company based on his achievements as Director and chairperson of the Nomination Committee to date, and his deep understanding of market demands considering his experience in dialogue with global stock markets over many years. There were transactions in the fiscal year 2014 between the HOYA Group and Nissan Motor Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party, and nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.

**Message to Shareholders from Candidate**

In the midst of acceleration of movement of information, people, and goods, which might be called a revolution, customer demands are diversifying, and economic conditions are changing rapidly. Under such situations, HOYA adapts its development, production and sales methods to the situations at a global level and seeks to grow and develop. As an Independent Director, I sincerely intend to fulfill my duties so that the management of HOYA by Executive Officers responds to changes globally and becomes even stronger.

| No | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 2 | <br>**Yukako Uchinaga**<br>(Born on Jul. 5, 1946)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company] 2 Years<br>[Number of shares of the Company held] 1,000 Shares<br>[Number of attendances to the board meetings] 8/10 times (80%) | Jul. 1971 Joined IBM Japan, Ltd.<br>Apr. 1995 Director in charge of Asia Pacific Products of IBM Japan, Ltd.<br>Apr. 2000 Managing Director and Head of Tokyo Software Development Laboratory of IBM Japan, Ltd.<br>Apr. 2004 Director and Senior Executive Officer in charge of Development & Manufacturing of IBM Japan, Ltd.<br>Apr. 2007 Technical Advisor of IBM Japan, Ltd.<br>Jun. 2007 Director of Benesse Corporation<br>Apr. 2008 Director and Vice Chairman of Benesse Corporation, Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation<br>Oct. 2009 Director and Executive Vice President of Benesse Holdings, Inc.<br>Apr. 2013 Honorary Chairman of Berlitz Corporation<br>Jun. 2013 Director of the Company (present post)<br>Sep. 2013 President, Representative Director of the Global Research Institute (present post)<br>**(Important positions of other companies concurrently held)**<br>President of J-WIN (Japan Women's Innovative Network), Non-Profit Organization<br>Outside Director of Aeon Co., Ltd.<br>Outside Director of DIC Corporation |

**Reason for the Selection of Candidate for Director**

The above candidate is a pioneer of female executive officer as she was promoted to the first female director and later senior managing director of IBM Japan, Ltd. She then moved to CEO of Berlitz Corporation under Benesse Holdings, Inc., established a brand of a “global human resource development enterprise” and achieved superior results as the English language school at which Japanese management personnel are educated and trained so as to survive global economic competitions. In addition, for many years, she has devoted herself to activities for promoting the utilization of women by corporations, and the Company’s Nomination Committee believes she will greatly contribute to the globalization of human resources and diversity management including women in the Company, so it has nominated her as a candidate for Director again this year. There were transactions in the fiscal year 2014 between the HOYA Group and both Benesse Group and IBM Japan, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party, and nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.

**Message to Shareholders from Candidate**

I believe that HOYA’s strength is, while timely restructuring its business amidst global expansion, to powerfully exercise its market leadership with its competitive edge. I intend to contribute to the Company in areas of clarification of strategies to further promote innovation, and utilization of global personnel in company operations. I would like to further contribute to HOYA particularly in areas of strategic utilization of IT, which supports the basis of the global company, and promotion of diversity as a first step to utilize the talent of female employees in terms of human resources.

| No | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 3 | <br>**Mitsudo Urano**<br>(Born on Mar. 20, 1948)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company]<br>2 Years<br>[Number of shares of the Company held] 5,000 Shares<br>[Number of attendances to the board meetings]<br>10/10 times (100%) | Apr. 1971 Joined Nippon Reizo Kabushiki Kaisha (present Nichirei Corporation)<br>Jun. 1999 Director and General Manager, Strategic Planning Division of Nichirei Corporation<br>Jun. 2001 Representative Director and President of Nichirei Corporation<br>Jan. 2005 Representative Director and President of Nichirei Corporation, and Representative Director and President of Nichirei Foods Inc.<br>Apr. 2007 Representative Director and President of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.<br>Jun. 2007 Representative Director and Chairman of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.<br>Jun. 2013 Advisor of Nichirei Corporation (present post)<br>Jun. 2013 Director of the Company (present post)<br>**(Important positions of other companies concurrently held)**<br>Outside Director of Mitsui Fudosan Co., Ltd.<br>Outside Director of Yokogawa Electric Corporation<br>Outside Director of Resona Holdings, Inc.<br>Advisor of Nichirei Corporation<br>President of AgriFuture Japan, General Incorporated Foundation<br>Chairman of Nippon Omni-Management Association, General Incorporated Foundation<br>Outside Director of Hitachi Transport System, Ltd. |

### Reason for the Selection of Candidate for Director

The above candidate focused on capital efficiency from the early stage in Nichirei Corporation, a leading Japanese frozen food manufacturer, and developed efficient management through company split-ups and informatization. He particularly has extensive experience and solid achievements on management informatization. The Nomination Committee has nominated him as a candidate for Director again this year, since, in addition to the achievements in Nichirei Corporation, it believes that he will make a great contribution to enhance management efficiency and transparency through giving advice and proposals on overall company management with his deep insight and extensive experience as management having served as an outside director and outside corporate auditor in other companies listed on the First Section of the Tokyo Stock Exchange. Moreover, nothing between the HOYA Group and Nichirei Group, which the candidate comes from, exists that violates the independence requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.

### Message to Shareholders from Candidate

I am proud to be one of the members of the Board of Directors of HOYA since, at the meetings of the Board of Directors, there are lively discussions in a positive mood, problems are pointed out and proposals are made from a variety of perspectives, and the PDCA cycle is extremely quick. I keenly feel that the unique strengths of the Company lie in its ability to concentrate management resources on selected businesses and the speed of its decision-making. I believe that the role of an Independent Director is to provide general and objective supervision for corporate management by Executive Officers from the perspective of improving corporate value. I will strive to contribute to the management in a way that enhances the brand power of HOYA.

| No | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 4 | <br>**Takeo Takasu**<br>(Born on Jun. 24, 1945)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company]<br>1 Year<br>[Number of shares of the Company held] 0 Share<br>[Number of attendances to the board meetings]<br>8/8 times (100%) | Apr. 1968 Joined The Sanwa Bank, Ltd. (Present The Bank of Tokyo-Mitsubishi UFJ, Ltd.)<br>Oct. 1993 Branch Manager, Los Angeles Branch of Sanwa Bank<br>Apr. 1996 Member, Management Planning Department of Bandai Co., Ltd.<br>Jun. 1996 Representative Director of Bandai Holdings Corporation in U. S.<br>Mar. 1999 President and Representative Director of Bandai Co., Ltd.<br>Jun. 2005 Chairman and Representative Director of Bandai Co., Ltd.<br>Sep. 2005 President and Representative Director of Bandai Namco Holdings Inc.<br>Apr. 2009 Chairman and Representative Director of Bandai Namco Holdings Inc.<br>Feb. 2010 Chairman and Director of Bandai Namco Holdings Inc.<br>Jun. 2011 Advisor and Director of Bandai Namco Holdings Inc.<br>Jun. 2014 Director of the Company (present post)<br>(Important positions of other companies concurrently held)<br>Outside Director of Bell-Park Co., Ltd.<br>Outside Director of Kadokawa Corporation<br>Outside Director of Cool Japan Fund Inc. |

**Reason for the Selection of Candidate for Director**

After first serving at the former Sanwa Bank, Ltd., the candidate accumulated experience in various industries including a Malaysian securities firm and DDI Corporation (Present KDDI Corporation) soon after its establishment. He then moved to Bandai Co., Ltd. (Present Bandai Namco Holdings Inc.) where he improved the company's performance by heightening the unification of employees through his fast decision-making and strong explanatory capability as president. He also demonstrated management abilities in the successful business integration with Namco Limited. The Company's Nomination Committee has judged that he will make proposals from different perspectives through insights developed in the banking industry and management experience in the toy industry with different characteristics from that of HOYA, in addition to his achievements as an outside director of other companies, so it has nominated him as a candidate for Director again this year. There were transactions in the fiscal year 2014 between the HOYA Group and the Bandai Namco Holdings Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party, and nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

**Message to Shareholders from Candidate**

The existence of corporate governance in Japanese companies is actively debated. I feel the corporate governance system in HOYA is a few steps ahead of other companies. In order for Executive Officers to work toward the improvement of corporate value, I hope to be fully helpful to the corporate management with other Independent Directors.

| No | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 5 | <br>**Shuzo Kaihori**<br>(Born on Jan. 31, 1948)<br>Candidate for Independent Director<br>[Number of shares of the Company held] 1,000 Shares<br>New | Apr. 1973 Joined Yokogawa Electric Works Ltd. (Present Yokogawa Electric Corporation)<br>Apr. 2005 Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation<br>Apr. 2006 Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation<br>Jun. 2006 Director and Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation<br>Apr. 2007 Representative Director, President and Chief Executive Officer of Yokogawa Electric Corporation<br>Apr. 2013 Representative Director, Chairman and Chief Executive Officer of Yokogawa Electric Corporation<br>Apr. 2015 Director, Chairman of Yokogawa Electric Corporation (present post)<br>**(Important positions of other companies concurrently held)**<br>Director, Chairman of Yokogawa Electric Corporation<br>Chairman of Japan Electric Measuring Instruments Manufacturers' Association |

**Reason for the Selection of Candidate for Director**

The above candidate assumed the presidency of Yokogawa Electric Corporation, which operates a test and measurement business and industrial automation and control business, in 2007 when the company faced difficult business conditions, then was committed to turning around the company and achieved a surplus by changing the business model from hardware to software and promoting the globalization. The Company's Nomination Committee has decided that he will contribute greatly to the Company's management from his performance that he boldly responded to changes in the business environment and achieved results and by giving advice on strengthening of software business, which is a challenge for the Life Care Segment, an area expected to grow, based on his extensive experience, so it has nominated him as a candidate for new Director. There were transactions in the fiscal year 2014 between the HOYA Group and Yokogawa Electric Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party, and nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

**Message to Shareholders from Candidate**

I am honored to be a candidate for Independent Director of HOYA having a superior corporate governance system as a company with committees from the early stage in Japan. I see that a great advantage for HOYA is to construct the best business portfolio in global markets on a continuous basis. Amidst the further acceleration of pace of change in the world, to ensure revenues and growth potential for the HOYA Group as a whole is a big challenge. I intend to work on my duties as an Independent Director based on my experience in the business of production automation both in developed and developing countries.

| No | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 6 | <br>**Hiroshi Suzuki**<br>(Born on Aug. 31, 1958)<br>[Number of years in office of the Director of the Company] 22 Years<br>[Number of shares of the Company held] 942,080 Shares<br>[Number of attendances to the board meetings] 10/10 times (100%) | Apr. 1985 Joined the Company<br>Jun. 1993 Director of the Company<br>Jun. 1997 Managing Director of the Company<br>Apr. 1999 Managing Director of the Company, President of Electro Optics Company<br>Jun. 1999 Executive Managing Director of the Company<br>Jun. 2000 Representative Director, President & CEO of the Company<br>Jun. 2003 Director, Representative Executive Officer President & CEO (present post)<br>Dec. 2011 Chief Representative of Singapore Branch of the Company (present post) |

**Reason for the Selection of Candidate for Director**

The above candidate serves as the driving force of the management of the HOYA Group as Director and Representative Executive Officer President & CEO, and gives appropriate explanations and reports on strategies based on portfolio management at the meetings of the Board of Directors. He also supervises the execution of operations by other Executive Officers and adequately fulfills his role as Executive Officer and Director. The Nomination Committee has nominated him as a candidate for Director again this year, in consideration of his achievements as Director to date.

**Message to Shareholders from Candidate**

HOYA is managed based on a mechanism in which each Strategic Business Unit (SBU) formulates and executes its own business strategies. Accordingly, it is my understanding that the role of CEO is to execute portfolio management of the HOYA Group as a whole in view of the continuity of the company as a matter of top priority. Sales by the Life Care business, which has been positioned as a growth segment, have grown in the past few years to comprise over half of consolidated sales. I am committed to promoting growth in this field and steering HOYA to attain long-term growth amid the dramatic changes in the global situation by creating an execution structure that can withstand the changes.

(Notes) 1. No candidate has any special interest in the Company.

2. Reasons for the selection of candidates for Independent Director
In 2003, the Company became a company-with-committees (presently, company-with-nomination committees, etc.). The Company set up three committees, namely the Nomination Committee, Compensation Committee and Audit Committee, with the aim of securing management transparency and fairness and reinforcing supervisory functions. At the same time, the Company established a system that enables speedy and efficient management by Executive Officers by a substantial transfer of authority from the Board of Directors to Executive Officers. Independent Directors must comprise a majority at each of the three committees. The Articles of Incorporation of the Company prescribe that half or more of its Directors must be Independent Directors, for the purpose of ensuring fairness. At present, six of the seven Directors of the Company are Independent Directors. The reason for the selection of a candidate for Independent Director is described separately for each candidate.

3. The number of years in office of Independent Director (up to the close of this General Meeting of Shareholders) is described separately for each candidate.

4. The Company and each of the four candidates for reappointment as Independent Director have concluded an agreement that limits liabilities for damages in Paragraph (1), Article 423 of the Companies Act to the higher of 10 million yen or the amount provided by Paragraph (1), Article 425 of the Companies Act. When the reappointment of each person is approved and passed, the above liability limitation agreement will be continued. Furthermore, when the appointment of Mr. Kaihori is approved and passed, the Company plans to enter into a similar agreement with him.

5. The candidates for Independent Director not only meet the requirements for outside directors stipulated by the Companies Act but also meet the “Basis for Election of Candidates for Directors” that the Nomination Committee has set out as requirements to ensure the independence of candidates for Independent Director. Therefore, the Nomination Committee has determined that the candidates sufficiently secure independence as Independent Directors.

(Reference)

Outline of matters that violate requirements for independence of candidates for Independent Director

<Those who related to the HOYA Group>
- Those who previously worked for the HOYA Group
- Those who have a family member (spouse, child or relatives by blood or by affinity within the second degree) who have held the position of Director, Executive Officer, Corporate Auditor or top management in the past five years

<Major shareholders>
- Those who are major shareholders (10% or more) of the HOYA Group, or those who are directors, executive officers, corporate auditors or employees of companies that are major shareholders of the HOYA Group or those who have a family member who is a top management of such companies
- Those who executes operations of a company of which a major shareholder is the HOYA Group

<Those who related to big business partners>
- Those who are operating directors, executive officers or employees of any important business partner, either for the HOYA Group or the corporate groups which the candidates come from, the sales to which business partner comprises 2% or more of the consolidated net sales of the HOYA Group or the company groups for either of the past three years, or those who have a family member who is a top management of such business partner

<Those who provide professional services (lawyers, certified public accountants, certified tax accountants, patent attorneys, judicial scriveners, etc.)>
- Those who have received remuneration of 5 million yen or more per year or those who have a family member who have received remuneration of 5 million yen or more per year, from the HOYA Group in the past three years
- When the organization that the candidate belongs to, such as a company and association, has received cash, etc. from the HOYA Group, the amount of which exceeds 100 million yen per year or 2% of consolidated net sales of the said organization, whichever is higher

<Donation, etc.>
- When the association or organization which the candidate belongs to as director or operating officer has received donations or grants in the past three years, the amount of which exceeds 10 million yen per year or 30% of the said organization’s average annual total costs, whichever is higher, or when the association or organization which the candidate’s family member belongs to has received donations or grants equivalent to the aforementioned amount

<Others>
- When directors are exchanged
- When the candidate has any other important interest in the HOYA Group

## Proposal No. 2 Partial Amendment to the Articles of Incorporation (1)

It is proposed that the current Articles of Incorporation be partially amended as per the proposed amendments shown below.

### 1. Reasons for amendment

To prepare for future business development and diversification, the Company intends to make amendments to the provisions of Article 2 (Purposes) of the Articles of Incorporation.

### 2. Details of amendment

Details of the current Articles of Incorporation and the proposed amendments are as follows:

(Underlined portions indicate the proposed amendments.)

| Current Articles of Incorporation | Proposed amendments |
|---|---|
| *Article 2 (Purposes)*<br>The business purposes of the Company are as follows:<br>(1) to (10) (Omitted)<br>(Newly established)<br><u>(11)</u> to <u>(16)</u> (Omitted) | *Article 2 (Purposes)*<br>The business purposes of the Company are as follows:<br>(1) to (10) (Same as the present)<br><u>(11) Provision of various services relating to the medical field</u><br><u>(12)</u> to <u>(17)</u> (Same as the present) |

## Proposal No. 3 Partial Amendment to the Articles of Incorporation (2)

It is proposed that the current Articles of Incorporation be partially amended as per the proposed amendments shown below.

### 1. Reasons for amendment

The "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) came into force on May 1, 2015, and the scope of executives with whom agreements can be entered into to limit their liabilities has been changed. Accordingly, to ensure that Directors who do not execute operations can adequately fulfil the role expected of them, the Company plans to make partial amendments to the provisions of Article 27 (Agreements with Independent Directors to Limit Liability) of the Articles of Incorporation. Please note that the Company has received approval from each member of the Audit Committee for the amendment to Article 27 of the Articles of Incorporation.

### 2. Details of amendment

Details of the current Articles of Incorporation and the proposed amendments are as follows:

(Underlined portions indicate the proposed amendments.)

| Current Articles of Incorporation | Proposed amendments |
|---|---|
| *Article 27 (Agreements with <u>Outside Directors</u> to Limit Liability)*<br>The Company may enter into agreements with <u>Outside Directors</u> to limit liabilities provided for in Article 423, Paragraph 1 of the Companies Act which may be incurred by such Director in the future to an amount determined in advance which shall be not less than the greater of ten million yen (¥10,000,000) or the aggregate amount provided for by applicable law. | *Article 27 (Agreements with <u>Directors</u> to Limit Liability)*<br>The Company may enter into agreements with <u>Directors (excluding Directors with executive authority over operations, etc.)</u> to limit liabilities provided for in Article 423, Paragraph 1 of the Companies Act which may be incurred by such Director in the future to an amount determined in advance which shall be not less than the greater of ten million yen (¥10,000,000) or the aggregate amount provided for by applicable law. |

## Matters proposed by shareholders (Proposal No. 4 to No. 21)

Proposals No. 4 to No. 21 are proposals made by three (3) shareholders. The number of voting rights held by the said shareholders is 705 units (0.0166%)

Counter opinion of the Board of Directors on the shareholder proposals
The Board of Directors opposes all shareholder proposals from Proposal No. 4 onwards.
The proposing shareholder has submitted many proposals every year since 2009, and with regard to the contents thereof , the reasons therefor and also from the past statements and actions by the shareholder, there are many proposals which can hardly be valued as proposals that seek the common benefit of the shareholders, which is the intended purpose for shareholder proposal rights. We do not believe that these proposals are worthy of being examined for their legality, printed, translated into English, mailed, etc. by using the Company's labor and money and of being examined as proposals at the shareholders meeting by spending precious time and labor of other shareholders.

However, in Japan, there is no established rule to limit the maximum number of shareholder proposals by a shareholder (for example, in the U.S., each shareholder can submit only one (1) proposal) and to exclude shareholder proposals of which contents are unworthy of being discussed. Specifically, in Japan, pursuant to the Companies Act, if the proposal takes the form of "change of articles of incorporation," even if it is considered to be not a meaningful proposal that can be incorporated into the articles of incorporation and unworthy of discussion, that proposal shall still be judged as a legitimate proposal that should be included in the notice of shareholder meeting by judicial authorities. We welcome constructive opinions from our shareholders at the shareholders meeting, which is the highest decision-making body, and continually strive to ask our shareholders so as to have deliberations on meaningful proposals.

Some of the reasons for the proposals include descriptions about the share price and returns from shares of the Company, asserting that since 2000, around when the current CEO assumed the office, the performance of the Company's shares has been unfavorable. Actual total returns from the Company's shares after June 2000 (combination of dividend income and rises in its share price) significantly exceeds the Tokyo Stock Price Index (TOPIX), TOPIX Sector Index of Precision Instruments, and Nikkei Stock Average, which is contrary to the situation portrayed by the proposing shareholder. Japan's economy, which has been stagnant for a long time, is just now showing signs of recovery, and by ensuring the "earning power" of our business portfolio works properly, we will further strive to improve returns of our shareholders.

### Proposal No. 4 Dismissal of Six (6) Directors

(1) Dismissal of Director Hiroshi Suzuki

Gist of the proposal: It is proposed that Mr. Hiroshi Suzuki be dismissed from the post of Director.

Reasons for the proposal: The share price of the Company has not shown notable growth since Mr. Hiroshi Suzuki was appointed as its representative. When the Company received critical opinions from shareholders who submit shareholder proposals, he took the lead in activities to infringe on justifiable shareholder proposal rights. This caused unusual situations including the case where the Tokyo District Court ruled against him and ordered him to pay 33,000 yen to the shareholder who submitted shareholder proposals (Tokyo District Court 2012 ("WA") No. 14392 Case of Claim for Damage, ruled on September 30, 2014). He is not qualified to be a corporate manager because he lacks the ability to make reasonable decisions on investment to create shareholder value as is clear from such cases as the Pentax acquisition, sales of the MD media and the discontinuation of research on inorganic EL devices. By definition, we believe that the Nomination Committee did not select the most qualified individual as candidate for President & CEO, because Mr. Hiroshi Suzuki is a hereditary corporate manager and his father has a close personal relationship with the Board of Directors. For a number of other reasons, please refer to the website of the "The Committee to Improve Hoya's Corporate Governance."

(2) Dismissal of Director Yukiharu Kodama

Gist of the proposal: It is proposed that Mr. Yukiharu Kodama be dismissed from the post of Director.

Reasons for the proposal: Mr. Yukiharu Kodama was involved in an illegal resolution at a meeting of the Board of Directors, which led to the case where the Tokyo District Court ruled against him and ordered him to pay 33,000 yen to shareholders of "The Committee to Improve Hoya's Corporate Governance" (Tokyo District Court 2012 ("WA") No. 14392 Case of Claim for Damage, ruled on September 30, 2014). He should thus immediately resign from his position. Mr. Yukiharu Kodama, who is over 80 years of age, seems to consider his office of Independent Director as an "*amakudari*" post in which a retired bureaucrat takes up a position as adviser/executive in a private organization. Since he was appointed as Independent Director, the share price of the Company has not shown notable increase. This is because he allowed or overlooked incoherent investment activities relating to creation of new businesses including the Pentax acquisition and the unilateral discontinuation of inorganic EL research by a former employee of HOYA, currently working at a competitor and others. The Company has allowed the unusual situation in which the majority of Independent Directors are in their late 70's, and the company has not been able to achieve sufficiently favorable performance in searching for candidates for Directors and Executive Officers who are younger and hold diverse backgrounds. We request that the Board of Directors explains why Dr. Bala Ambati, the well-known ophthalmologist, was not nominated as an executive candidate.

(3) Dismissal of Director Itaru Koeda

Gist of the proposal: It is proposed that Mr. Itaru Koeda be dismissed from the post of Director.

Reasons for the proposal: Mr. Itaru Koeda, who is a member of the Nomination Committee, overlooked the decision on personnel affairs regarding the appointment as Representative Executive Officer of Mr. Taro Hagiwara, who had had almost no track record in the fuel battery division of Nissan Motor, where he was originally employed, thereby resulting in the slowing down of the Company's R&D activities. Moreover, he was jointly involved in the illegal resolution at the meeting of the Board of Directors, which did not put legitimate shareholder proposals in the Notice of Shareholder Meeting. This led to the case where the Tokyo District Court ruled against him and ordered him to pay 33,000 yen collectively to the shareholder who submitted the shareholder proposals (Tokyo District Court 2012 ("WA") No. 14392 Case of Claim for Damage, ruled on September 30, 2014), and consequently he was deemed "negligent" by the court. Considering that it is usually a Director's minimal duty to handle shareholder proposals in accordance with laws, the Company's response was unprecedented in the

Japanese capital market and therefore deserves to be strongly criticized. In addition, the compensation system for Mr. Hiroshi Suzuki indicates that he is able to receive compensation of nearly 200 million yen even without making an effort to carry out investment strategies to significantly increase shareholder value. This means the Company performs no higher than the status quo, thereby generating opportunity loss in which a corporate value increase cannot be expected.

(4) Dismissal of Director Yutaka Aso

Gist of the proposal: It is proposed that Mr. Yutaka Aso be dismissed from the post of Director.

Reasons for the proposal: We oppose his election since there are questions concerning his real independence as a Director because of the relationship with his brother Mr. Taro Aso, who is the Minister of Finance. This is because when he was the Minister of Foreign Affairs in the Koizumi Cabinet, Mr. Katsutoshi Kaneda, Mr. Hiroshi Suzuki's brother-in-law, was the State Minister for Foreign Affairs.
We do not consider that Mr. Yutaka Aso is a qualified nominee because no indication was found that he had made a counter opinion regarding the activity that infringed on shareholder proposal rights at the Ordinary General Meeting of Shareholders in 2012 (the protective rights were recognized by the Tokyo District Court; refer to the written decision on 2012 ("YO") No. 20045, Incident of Suspension of Execution of Duty and Provisional Disposition on Appointment, etc. of Alternate Person) and even thereafter he is likely to agree to everything that the Executive Officers decide. Furthermore, the Company was criticized in a magazine for "HOYA's 'unbelievable advanced management' in which 'shareholder proposals' are ignored in favor of 'the Suzuki family and its hereditary succession'" (ZAITEN, January 2013). We should only search for and retain Director candidates who intend to change the Company's current state in which "the management exists merely for the benefit of the Suzuki dynasty, which was recognized even by Independent Directors" ("HOYA's declining 'family' business with "the artificial U.S. style'") (ZAITEN, January 2010).

(5) Dismissal of Director Mitsudo Urano

Gist of the proposal: It is proposed that Mr. Mitsudo Urano be dismissed from the post of Director.

Reasons for the proposal: The Tokyo District Court ruled against him for failure to post the reasons for the amendment proposals for selecting Directors at last year's Ordinary General Meeting of Shareholders. The Court (Civil Department No. 8, Presiding Judge Shinya Onodera) recognized the Company's action as an illegal activity, stating that "the defendant's failure to include the omitted portions in the notice is considered a violation of Para. (1), Article 93 of the Ordinance for Enforcement of the Companies Act" and "the failure to include the omitted portions in the notice is recognized as the reason for revocation of the relevant resolution (Item (i), Para. (1), Article 831 of the Companies Act)" (2014 ("WA") No. 24338 Case of Claim for Revocation of Resolution at the General Meeting of Shareholders, ruled on March 26, 2015). Because Mr. Mitsudo Urano is likely to be involved in the decision by the Board of Directors regarding the failure of said inclusion, and did not express a counter opinion, the provision on the dismissal for reason of violation of the Companies Act should be applicable.

Nevertheless, Mr. Mitsudo Urano was less involved with the illegal activities than Mr. Hiroshi Suzuki, Mr. Itaru Koeda and Mr. Yukiharu Kodama, who have repeatedly infringed upon shareholder proposal rights every year. We will withdraw this proposal in the case that he shows the intention to work on rectifying this situation by the day of the General Meeting of Shareholders through talks with shareholders of "The Committee to Improve Hoya's Corporate Governance."

(6) Dismissal of Director Yukako Uchinaga

Gist of the proposal: It is proposed that Ms. Yukako Uchinaga be dismissed from the post of Director.

Reasons for the proposal: Hereditary transfer of management should, in principle, be prohibited at the Company. Each time such a critical opinion arose, Mr. Hiroshi Suzuki abandoned the task of respecting the intent of shareholder proposal rights, thereby leading to a number of lawsuits. Ms. Yukako Uchinaga has a close relationship with Mr. Takeo Shiina, who served for years as the chairperson of the Nomination Committee. Both Mr. Shiina and Ms. Uchinaga worked for IBM Japan, and IBM Japan is criticized for playing a guiding role in the window-dressing settlement of accounts in the Olympus Scandal ("IBM Japan abetted Olympus" *FACTA* November, 2012). From a moral standpoint, all the Independent Directors for whom Mr. Takeo Shiina was involved in the selection process should resign from the Company because of lingering questions on the issue of corporate ethics. The subtitle of this article is "IBM suffers from a long decline with a 50% sales decrease over 10 years and moral hazard. Its 'window-dressing DNA' as well as extreme sales quota has sullied Japan." We believe that she did not argue regarding the illegal act against the Ordinance for Enforcement of the Companies Act at the last year's Ordinary General Meeting of Shareholders and was in a position of accepting the continuous infringement of shareholder proposal rights. Nevertheless, we will withdraw this proposal in the case that she shows an intention to improve this situation through talks with shareholders of "The Committee to Improve Hoya's Corporate Governance."

Counter Opinion of the Board of Directors on Proposal No. 4

The term of office of the Company's Directors is for one (1) year, so even if dismissal of the Directors is not resolved, the term of office of all the Directors expires at the conclusion of this Ordinary General Meeting of Shareholders. Moreover, we do not believe that there is any particular reason to dismiss any Director, so we oppose this proposal.

## Proposal No. 5 Election of Directors

Gist of the proposal: In the event that the Company proposes Mr. Hiroshi Suzuki, Mr. Itaru Koeda, Mr. Yukiharu Kodama and Mr. Yutaka Aso as candidates for Directors, the proposal is that they not be elected and that Mr. Taizo Takayama (whose acceptance for appointment we have already obtained) be elected as Director. In the event that the Company decides not to make one or more candidates among Mr. Hiroshi Suzuki, Mr. Itaru Koeda, Mr. Yukiharu Kodama and Mr. Yutaka Aso candidates proposed by the Company and places others as candidates for Directors, Mr. Taizo Takayama shall be elected as Directors in place of the Director candidates proposed by the Company. In the event that there are any other candidates who are recommended by the Nomination Committee of the Company (likely including, but not limited to, three candidates: Ms. Yukako Uchinaga, Mr. Mitsudo Urano and Mr. Takeo Takasu), we agree to re-appointment or election of these candidates in this General Meeting of Shareholders despite some remaining concerns. We propose that in the event that the Company does not propose any candidates from among Mr. Hiroshi Suzuki, Mr. Itaru Koeda, Mr. Yukiharu Kodama and Mr. Yutaka Aso as candidates proposed by the Company, Mr. Taizo Takayama shall be elected as additional candidate.

Candidate No. 7 Taizo Takayama

Reasons for the recommendation and selection of Mr. Taizo Takayama (born on November 15, 1976; U.S. CPA; we have obtained his acceptance for appointment, if elected) as a candidate for Director

An unprecedented ruling was pronounced against three individuals including Mr. Hiroshi Suzuki, Mr. Itaru Koeda and Mr. Yukiharu Kodama to jointly pay damages to shareholders because of the failure to include shareholder proposals submitted under applicable laws in the Notice of the Ordinary General Meeting of Shareholders, which was held in June 2010. They must assume moral responsibility in such forms as voluntary return of compensation. In view of the philosophy of the "Code of Corporate Governance," the Company does not take an active posture to make substantial modification in response to shareholders' reasonable proposals regarding management strategies and corporate governance. The Board of Directors mostly consists of members in their late 60s and older, indicating the Company has not achieved recruitment of younger candidates. We recommend that the Company recruits one or more candidates in their 30s who are future beneficiaries of Japan's pension assets. The Company achieved results in its key businesses in the 1980's but did not create any new business in a rational way over the past 15 years. We do not tolerate the "*amakudari*" system in which highly-paid bureaucrats are appointed for the post of Independent Director. Some concerns also remain regarding other candidates. For other detailed reasons, please refer to the website of "The Committee to Improve Hoya's Corporate Governance."

Career of the candidate: Taizo Takayama: Born on November 15, 1976 in Bunkyo-ku, Tokyo, graduated from Takehaya Elementary School and Junior High School Attached to Tokyo Gakugei University, Rikkyo High School and Rikkyo University (Faculty of Law). Completed studies in the Okuma School of Public Management, Waseda University. After joining Dai-Ichi Kangyo Bank (currently Mizuho Bank), he left for the U.S.A. and passed the U.S. CPA (Certified Public Accountants) examination. He currently holds a U.S. CPA (State of Washington, U.S.A.). In recent years, he became a joint proposer with shareholders of the Company's "The Committee to Improve Hoya's Corporate Governance." The approval rate for such proposals as "individual disclosure of executive compensation" and "separation of roles of Chairperson of the Board of Directors and President & CEO" are extremely high. He also plays an active role in the Masashige Kusunoki limited liability company (Fukuyama-shi, Hiroshima), which is engaged in the investment of activist funds mainly targeted to Japanese small-to-medium businesses. He is a joint proposer of these shareholder proposals. He has expressed his willingness to accept the appointment as Director, if elected.

Reasons for not selecting Mr. Hiroshi Suzuki as Director but selecting the candidate stated in the amendment proposal

Abnormal situations have occurred in the Company's management for General Meetings of Shareholders involving illegal activities including those committed in 2009, 2010 and 2014, which were recognized by the court. It is particularly notable that the Civil Department No. 8 (Presiding Judge Shinya Onodera), which usually makes rulings in favor of business entities, recognized the case on last year's proposals as a violation of Para. (1), Article 93 of the Ordinance for Enforcement of the Companies Act and as the reason for revocation of the relevant resolution in violation of Item (i), Para. (1), Article 831 of the Companies Act (2014 ("WA") No. 24338 Case of Claim for Revocation of Resolution at the General Meeting of Shareholders).

He did not only show any notable achievement in the creation of new businesses for 15 years after his appointment, but also continues to handle affairs for many years on the management of Ordinary General Meetings of Shareholders, which are held to confirm shareholders' intentions in illegal matters that completely deviate from the purpose of the Codes of Corporate Governance. There was also an occurrence of an unusual situation relating to Mr. Hiroshi Hamada, who announced his resignation as Representative Executive Officer less than six months after his appointment, and to Mr. Kenji Ema, former Chief Financial Officer, who was absent from the Annual General Meeting of Shareholders due to his retirement. This is mainly because Mr. Suzuki assumed office as the top executive, though he is not aware of his responsibility, and does not have the ability as a manager of a listed company.

Reasons for not selecting Mr. Itaru Koeda as Director but selecting the candidate stated in the amendment proposal

The Company made an inappropriate personnel decision regarding Mr. Taro Hagiwara. Although he did not have any track record in research and business development in the fields of material science and ophthalmology, he was appointed as Executive Officer in charge of Technology and as Representative Executive Officer. This appointment is linked with the fact that Mr. Itaru Koeda, like Mr. Yoshikazu Hanawa, was originally employed by Nissan Motor, who formerly assumed office in the Company's management. Such appointment has been much criticized as "the Company accepts executive officers one after another from a single firm and appoints them to top positions of technology department through personal introduction. This almost shows a sign of *amakudari* practice (article of Toyo Keizai entitled "*Sogyoka keieisha ni towareru fu no eikyouryoku no jikaku* (self-awareness of negative impacts expected from corporate managers from the founding family)," August 18, 2010). There are a number of competent candidates who are in their 30's and 40's from the University of Tokyo, Mr. Itaru Koeda's alma mater. He should visit the Satsuki-kai (the University of Tokyo Female Alumni Association) to look for excellent female candidates for Executive Officers. He was not likely to have any intention of denying the Pentax acquisition, which had been approved by his former senior in the company where the candidate was originally employed. We consider it appropriate to disagree with his reappointment until he shows an intention to refute the criticism on the "friend club" Board of Directors and increase the corporate value in the true sense.

Candidate No. 8 Yukako Uchinaga

Reasons for selecting Ms. Yukako Uchinaga as Director

The Company has not actually produced any results in the rational creation of new business since Mr. Takeo Shiina, who was originally employed in IBM Japan, was appointed as Independent Director, and has instead formed a "friend club" Board of Directors. The Board of Directors was not able to stop the Pentax acquisition, illegal activity such as not putting shareholder proposals in the Notice of Ordinary General Meeting of Shareholders,and the provisional disposition in which the Company was ordered to include the whole description of shareholder proposals in the Notice of the Ordinary General Meeting of Shareholders. Under such circumstances, it is unknown if she intends to rectify the Company's past vicious practices. This is because both Ms. Yukako Uchinaga and Mr. Takeo Shiina are originally from IBM Japan, which is not an exemplary company in view of compliance as it carries labor disputes. Moreover, an individual from IBM Japan who served as Outside Director in a number of companies was previously investigated on suspicion of secret filming. Considering these facts, the Nomination Committee should proactively look for a candidate for Independent Director who is more qualified than Ms. Uchinaga. The Company should not only focus on "the 50% proposition of Independent Directors," but also consider the quality and willingness of Independent Directors. Meanwhile, because of the emergency circumstances in "corporate governance," we temporarily accept her reappointment.

Candidate No. 9 Mitsudo Urano

Reasons for selecting Mr. Mitsudo Urano as Director

Whereas the Company has several issues regarding corporate governance, Mr. Mitsudo Urano was not identified in connection with the illegal act by the Tokyo District Court (2012 ("WA") No. 14392, Presiding Judge Akira Yamada), as opposed to other executives who were identified in connection with illegal acts and negligence (Yuzaburo Mogi, Takeo Shiina, Itaru Koeda, Yukiharu Kodama, Eiko Kawano, Hiroshi Hamada, Hiroshi Suzuki, Kenji Ema and others). Given the fact that the Company's Board of Directors performed illegal activities in the past regarding handling of shareholder proposals, the presence of a "clean Director" would be a step toward improvement of corporate governance. The purpose of the Code of Corporate Governance also indicates that Independent Directors, who are not the president's friends but representatives of the shareholders, are socially responsible for meeting shareholders upon their sincere request. Considering the current status that Mr. Urano has not refused meeting shareholders of "The Committee to Improve Hoya's Corporate Governance" allows some leeway to have discussions toward improvement, and we propose that he be elected.

Candidate No. 10 Takeo Takasu

Reasons for selecting Mr. Takeo Takasu as Director

We propose Mr. Takeo Takasu be elected because he was elected in last year's Ordinary General Meeting of Shareholders and was not involved with the illegal act involving shareholder proposals. The Company faces such issues as lack of achievement on the creation of new business under the administration of Mr. Hiroshi Suzuki, the existence of unclear business relationships with the family companies, a strong possibility of substantially out-of-control and runaway management of the President & CEO, questions on the Company's efforts to work on substantial remedies after the continuous illegal management for years of the General Meetings of Shareholders. In particular, in the event that a lawsuit or the like is filed to pursue responsibility for infringement activities of shareholder proposal rights which were committed up to last year, we recognize the significance of the presence of a member of the Audit Committee who was not involved in these illegal acts. Previously, an officer of the secretariat of General Meetings of Shareholders did not permit the proposer to consult with an Independent Director. It is important to know which activities each Independent Director performs and what opinions he/she expresses inside and outside the Board of Directors in order to create mid- to long-term corporate value of the Company. Mr. Takasu should have a proactive direct dialogue with shareholders so as to prevent the Board of Directors from being a "friend club."

Counter Opinion of the Board of Directors on Proposal No. 5

Mr. Taizo Takayama, the candidate, is a joint proposer of this shareholder proposal. We believe that the structure following approval of the proposal on Director candidates by the Company in Proposal No. 1 is the most appropriate and sufficient structure for the Company, so we oppose this proposal.

**Proposal No. 6** Partial Amendment to the Articles of Incorporation (Individual disclosure of executive compensation)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation: "The amounts and specifics of compensation paid to Executive Officers and Directors must be disclosed individually in the Business Report and financial statements every year, and all of the disclosed amounts must be individually evaluated on a yen basis for disclosure."

Reasons for the proposal: Disclosing the amounts and specifics of compensation paid to each of the Executive Officers and Directors will be extremely important for shareholders when they check whether or not the compensation paid to the Executive Officers and Directors is appropriate, with a view to maximizing the shareholders' benefits. In capital markets in developed countries other than Japan, individual disclosure of compensation is a matter of course. This has not caused any inconvenience to the investors, and the share price indexes of those capital markets have created significantly higher returns than Japan's share price indexes such as the Nikkei Stock Average for the past 20 years. The real issue is not that the amount of compensation is large, but that the compensation structure is completely unrelated to medium- to long-term shareholder value. For example, the share price of the Company has not shown notable growth since 2000 when Mr. Hiroshi Suzuki became the Representative Director. The Company should have hired another competent business manager, for example Mr. Michael C. Woodford, even with a yearly compensation of 300 million yen if he has the capability to improve shareholder value. If individual amounts of compensation were disclosed, it would be easier to evaluate cost efficiency. In addition, this proposal obtained 48.47% support at the Ordinary General Meeting of Shareholders in 2011.

Counter Opinion of the Board of Directors on Proposal No. 6

We have stated the individual compensation of Chief Executive Officer (CEO), who is ultimately responsible for taking managerial decisions, in the Notice of the Ordinary General Meeting of Shareholders every year. As for compensation of Executive Officers, we believe it is important in terms of the common benefit of the shareholders to clarify not the individual amounts as a result but the policy for determining compensation, content and calculation criteria, that is, what indicators are used for the appraisal and calculation, and to show our shareholders if such policy, etc. serve as incentives to improve our corporate value. With respect to compensation of Directors, the total amount has been disclosed, so we believe that sufficient transparency on the approximate level of compensation is ensured. As a result of considerations at this time, we oppose this proposal. Explanations on executive compensation of the Company, including the policy for determining compensation, content and calculation criteria, are on pages 54–55 of the Business Report.

**Proposal No. 7** Partial Amendment to the Articles of Incorporation (Separation of roles of Chairperson of the Board of Directors and President & CEO)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation: "Concurrent holding of the position of the Chairperson of the Board of Directors and the position of President & CEO is in principle prohibited, and the position of the Chairperson of the Board of Directors must be held by an Independent Director. In an exceptional case where a concurrent position is permitted, the Company must explain in writing in its disclosure materials such as a Notice of the Ordinary General Meeting of

Shareholders or reference material why such concurrent holding of the positions is of maximum benefit to the shareholders, and must appoint "a Leading Independent Director" instead. The Board of Directors must stipulate the role of the Leading Independent Director and disclose it to shareholders."

Reasons for the proposal: Because the President & CEO holds great power over the Company's internal resources and personnel matters and thus should be positioned as the subject of closest supervision. The concurrent holding of the position of President & CEO and the Chairperson of the Board of Directors should be avoided to the extent possible because it would be against the international trend of strengthening corporate governance. It is suspected that, under the Company's current structure, managers of the Corporate Planning Office, over which the Representative Executive Officer has authority on personnel issues and other issues, actually hold strong sway over selection of information for decisions of the Board of Directors and the Committees. However, the Chairperson of the Board of Directors, who is independent from the Executive Officers, should perform such duties and is required to spend more time overseeing the Company than other Independent Directors. The meaning of this Proposal is standard understanding by corporate governance researchers and practitioners in North America ("*CFA Examination Preparation Handbook-Level II*," p. 177, Tadashi Ono, Kinzai Institute for Financial Affairs, Inc.; Independence of the Chairman of the Board of Directors is the second check point of the "Corporate Governance-Related Check Points Regarding the Board of Directors from Shareholders' Perspective") and the concept of Leading Outside Director is widely known.

Counter Opinion of the Board of Directors on Proposal No. 7

The Articles of Incorporation of the Company do not enforce concurrent holding of the positions as CEO and Chairperson of the Board of Directors. The pros and cons of the concurrent holding of the positions are examined at the meeting of the Board of Directors every year, and at this time, from the perspective of efficiency, the Board of Directors has arrived at a conclusion that it is appropriate for the Chairperson to concurrently holds the position of CEO. Six (6) of Seven (7) Directors of the Board of Directors of the Company are Independent Directors (as of March 31, 2015), which is a strong system to supervise the CEO. In order to further strengthen the system, the Company has provided in HOYA Corporate Governance Guidelines, based on the suggestion in Supplementary Principles 4.8.2 of the Exposure Draft of the Corporate Governance Code published by "The Council of Experts Concerning the Corporate Governance Code" on March 5, 2015, for the selection of a leading Independent Director on the assumption that it will be the Chairperson of the Nomination Committee, who heretofore has taken the lead among the Independent Directors. Accordingly, in terms of this, we do not think that governance problems will occur. Since the Articles of Incorporation based on this proposal could result in depriving the best option, we oppose this proposal.

**Proposal No. 8** Partial Amendment to the Articles of Incorporation (Disclosure of information regarding the decision-making policy on compensation for Directors and Executive Officers)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"The Company must disclose to shareholders information regarding the decision-making policy on compensation for Directors and Executive Officers."

Reasons for the proposal: Mr. Hiroshi Suzuki was involved with a number of activities that seriously hurt the credibility of the Company as a listed company, as seen in the provisional disposition in which the Company was ordered to include shareholder proposals, and the ruling of the district court on the violation of the Companies Act and the order to pay damages. The Company did not show any notable achievement in view of enhancement of corporate value through creation of new businesses and acquisition, and its share price has remained low for years. However, the Company has accepted for many years that it provides compensation of over 100 million yen to Mr. Hiroshi Suzuki. Regarding Independent Directors, unusual situations occurred as seen with Mr. Hiroshi Hamada, who announced his resignation from the position of Representative Executive Officer only after six months after his appointment, and Mr. Kenji Ema, who did not attend the General Meeting of Shareholders upon his retirement. The acquisition of Pentax and sales of the MD media were a failure in view of creation of long-term corporate value. For technology management, the frequent change in the people in charge should be also considered a failure. However, it is unknown if such results have been reflected in the compensation paid to Directors and Executive Officers. Disclosing the precise policy on executive compensation will help clarify the relationship between compensation and management goals, which correlate with a rise in share price.

Counter Opinion of the Board of Directors on Proposal No. 8

We oppose this proposal since the Company explains about the policy for determining compensation of the Directors and Executive Officers on page 54 of the Business Report and does not need to provide such Article in the Articles of Incorporation.

## Proposal No. 9 Partial Amendment to the Articles of Incorporation (Directors' Mandatory Retirement at 70 Years of Age)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:

"The mandatory retirement age for Directors must be 70 years of age. In principle, Directors who are aged 70 or older as of the opening of the Ordinary General Meeting of Shareholders must not be recommended as candidates for Directors by the Nomination Committee. In an exceptional case, the Company must disclose to shareholders the reason the relevant individual is appropriate to serve as Director."

Reasons for the proposal: Although the management has stated the "importance of new business," the Company's main businesses had been already created by the 1980's or had simply existed as an outcome of overpricing acquisition. Considering the confusion in technology management with the unexpected discontinuation of the inorganic EL device project and the occurrence of unusual situations relating to Mr. Hiroshi Hamada, who was appointed as a Representative Executive Director in November 2011 yet announced his resignation in April 2012, and Mr. Kenji Ema who was absent from the General Meeting of Shareholders upon his retirement without so much as a greeting, the Company has failed to achieve an effective increase of corporate value over the past 15 years. There is no reason for not nominating Dr. Bala Ambati (professor at Utah University, ophthalmology), a Guinness world record holder for directorship. Since the Board of Directors is a "friend club," we cannot expect the Nomination Committee to select candidates to maximize shareholder value under existing conditions. The major US semiconductor company Intel has stipulated a provision regarding the age limit of members of the Board of Directors. In order for the Board of Directors to maximize the functions for shareholders' benefits, it is more reasonable for the Company to appoint younger independent Directors.

Counter Opinion of the Board of Directors on Proposal No. 9

The Nomination Committee of the Company does not set the mandatory retirement age for selecting candidates since qualities and abilities of each candidate as Director should not be judged by his/her age. This proposal excessively limits choices on candidates for Directors of the Company, so we oppose this proposal.

## Proposal No. 10 Partial Amendment to the Articles of Incorporation (Appointment of Directors aged 40 or younger)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"The Nomination Committee must appoint individuals who are 40 years of age or younger as candidates for Directors at the Ordinary General Meeting of Shareholders. When the Committee cannot appoint an appropriate candidate, it must disclose the reason to shareholders."

Reasons for the proposal: When the Board of Directors includes members who have diverse backgrounds, the competency of the Board of Directors itself will increase. However, the Company does not currently have any Independent Directors who are 65 years of age or younger. This is because there is a history that candidates for Independent Directors were selected from among close associates of Honorary HOYA Chairman Mr. Tetsuo Suzuki and the majority of Independent Directors were aged in their late 70's and older. We do not find any reason why the Nomination Committee does not appoint candidates who are 40 years of age or younger. The Company continues to handle shareholder proposals in an illegal manner, leading to unusual situations as seen in the ruling on damage payment to shareholders of "The Committee to Improve Hoya's Corporate Governance." However, there is no Director who expressed disagreement with this situation. In Japan, there are few opportunities for young people to play active roles because of, among other things, the increasing inequality between generations under the lifetime employment practice. In order to rectify the Company's abnormal corporate governance, the Nomination Committee should appoint individuals who are 40 years of age or younger as Directors in order to ensure the diversity of the Board of Directors. It is also expected that young Directors will make leading efforts to bring corporate governance, including handling of shareholder proposals, to a normal state.

Counter Opinion of the Board of Directors on Proposal No. 10

The Nomination Committee of the Company does not set formal limits, such as age, nationality, and gender, for selecting candidates and seeks candidates from a variety of right persons. The Company intends to nominate candidates 40 years of age or older if they are appropriate, and providing the content of this proposal in the Articles of Incorporation excessively limits choices for the Nomination Committee, so we oppose this proposal.

**Proposal No. 11** Partial Amendment to the Articles of Incorporation (Provision relating to the structure allowing shareholders to recommend candidates for Directors to the Nomination Committee and equal treatment)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"Shareholders may recommend candidates for Directors directly to the Nomination Committee without notifying Executive Officers. The related process must be disclosed and the candidates recommended by shareholders must be evaluated in the standard used for candidates nominated by the Nomination Committee."

Reasons for the proposal: The Nomination Committee should always perform duties with the objective of forming a Board of Directors consisting of the most appropriate Directors. Meanwhile, it is preferable that shareholders recommend new candidates for Directors who have the same ability without consideration because this method incurs smaller expenses as compared to using a search company. We propose this proposal representing the opinion of many shareholders who are angry with the current state in which the Company has produced lackluster performance compared to share price indexes of the Nikkei Stock Average and other indices since June 2003 when the Board of Directors, which is like a "friend club," was formed by Mr. Takeo Shiina, the former Chairperson of the Nomination Committee. It is needless to say that Directors become subjects of derivative lawsuits, etc. when "friend" candidates who are less qualified are nominated even though there are more qualified candidates for Directors in view of its duty of care of good managers and duty of loyalty. The Nomination Committee also neglects to select candidates for Directors among those aged 40 or younger, foreigners, two or more females and sexual minorities. This proposal also raises expectations of diversity in the Board of Directors.

Counter Opinion of the Board of Directors on Proposal No. 11

The Companies Act ensures that, if any shareholder meets certain requirements, such shareholder has the right to propose his/her own candidate(s), so such Article does not need to be provided for in the Articles of Incorporation, and we oppose this proposal.

**Proposal No. 12** Partial Amendment to the Articles of Incorporation (Provision relating to communication between shareholders and Directors and relevant handling)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"The Company must build a structure in which shareholders who have significant concerns are permitted to communicate with all the Directors including Independent Directors, the Nomination Committee, the Compensation Committee and the Audit Committee without such fact being made known to the Executive Officers. Communications between shareholders and respective Directors being made through Executive Officers or employees under the lines of command of Executive Officers should be avoided unless otherwise performed for the purpose of record retention. In cases where communications are made for the purpose of record retention, the records on procedures on reception, delivery to the Board of Directors and respective committees, and response must be retained and submitted at the request of shareholders."

Reasons for the proposal: It is important to allow shareholders to communicate with the Nomination Committee and the Audit Committee without making it known to the Executive Officers. The Company should establish a system in which shareholders are entitled to discreetly recommend candidates for Directors to the Nomination Committee. For example, when a shareholder wishes to report to the secretariat of the Audit Committee regarding an illegal act jointly committed by Representative Executive Officer and an executive of the Corporate Planning Office, there is a possibility that a member of the Corporate Planning Office may interfere with this action, and the report may not reach the Audit Committee. Even if a shareholder sends a report regarding the misconduct of an Executive Officer to the secretariat of the Audit Committee by content-certified mail, we cannot even know if a subordinate of the Representative Executive Officer would have forwarded the record to the Audit Committee. To learn more about opinions of institutional investors relating to this proposal, please refer to "*International Principles of Corporate Governance and Accountability (Principle of Corporate Governance)*" published by the California Public Employees' Retirement System (CalPERS) on April 21, 2008 (e.g., p. 35). "False corporate governance" must be prevented for the next generations.

Counter Opinion of the Board of Directors on Proposal No. 12

Since we believe that this proposal is based on speculation by the proposing shareholders and necessary communications are currently sent to relevant Directors and Committees through the secretariat of each Committee, such Article does not need to be provided for in the Articles of Incorporation, and we oppose this proposal.

## Proposal No. 13 Partial Amendment to the Articles of Incorporation (Disclosure of relationship with the Employee Stock Ownership Association of HOYA CORPORATION)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"The Company must disclose to shareholders information on the relationship with the Employee Stock Ownership Association of HOYA CORPORATION."

Reasons for the proposal: A practitioner who is knowledgeable about the exercise of voting rights has pointed out that the Japanese ESOP would be used for the purpose of defending de facto corporate managers. This case may be applied to the Company and the Employee Stock Ownership Association of HOYA CORPORATION operating under the direction of an employee Chairperson, who single-handedly administers the Secretariat of General Meetings of Shareholders. The Association had voted for the Company's proposals and against shareholder proposals, which is not healthy in view of corporate governance. In the Japanese capital market, executive compensation is often not determined in line with the company's performance. This is one of the reasons why medium- to -long-term return is more lackluster compared to other foreign countries. Although the proposers had recommended Mr. Michael C. Woodford as a nominee for Representative Executive Officer on the condition that he would be paid a compensation more than twice that of Mr. Hiroshi Suzuki, the Company actually rejected this proposal. It is not reasonable that the Company still offers compensation of over 100 million yen to Mr. Hiroshi Suzuki, who produced ordinary share price profitability over the past 14 years. Exercising voting rights by employees who are close to management poses a risk of fully nullifying shareholders' proposals and opinions that lead to the enhancement of shareholder value.

### Counter Opinion of the Board of Directors on Proposal No. 13

Since we believe that this proposal is based on speculation by the proposing shareholders and there is no circumstances that make us doubt that the Employee Stock Ownership Association of the Company is properly operated in accordance with the terms and conditions for the Stock Ownership Association, such Article does not need to be provided for in the Articles of Incorporation, and we oppose this proposal.

## Proposal No. 14 Not to Reappoint the Accounting Auditor

Gist of the proposal: It is proposed that Deloitte Touche Tohmatsu LLC (DTT) not be reappointed as Accounting Auditor.

Reasons for the proposal: The Company has repeated such acts as not including shareholder proposals which are legitimate and for improving corporate governance in the Notice of Shareholder Meeting. Furthermore, in the legal case regarding the provisional disposition (Tokyo District Court 2012 ("YO") No. 20045 Incident of Suspension of Execution of Duty and Provisional Disposition on Appointment, etc. of Alternate Person and Tokyo District Court 2013 ("YO") No. 20021 Incident of Provisional Disposition on Demand for Describing Shareholders Proposed Proposal, etc.) the protective rights were not denied. The Company is strongly suspected of having committed illegal acts as seen in the case where shareholders' claims for damage were approved on September 30, 2014 (Tokyo District Court 2012 ("WA") No. 14392 Case of Claim for Damage, Presiding Judge Akira Yamada). However, DTT continued to issue opinions as acting appropriately in terms of internal control, etc. and repeated acts through which misconduct was publicly tolerated. Additionally, concerning transactions, etc. that can be viewed as sharing profit with a family company, there are no signs that DTT made this an issue despite it potentially impacting the brand image and possibly cumulatively becoming a large enough amount to impact financial statements. DTT is not fulfilling its obligation to respond to discovery of fact of violation of laws and regulations and other facts as regulated in Para. (3), Article 193 of the Financial Instruments and Exchange Act (FIEA), and as long as this concern exists, reappointment of this firm as the Accounting Auditor is inappropriate.

### Counter Opinion of the Board of Directors on Proposal No. 14

We have sincerely responded to matters proposed by shareholders who have submitted a number of proposals and those with a number of words and the contents thereof from the thought that we should make the shareholders meeting meaningful to many shareholders who examine proposals seriously. Also, we have not recognized the fact that any profit was shared with a family company. The Company has disclosed all the relevant materials to Deloitte Touche Tohmatsu LLC (hereinafter referred to as "Tohmatsu"). In light of them, Tohmatsu has expressed unqualified opinions as their comprehensive opinions, so there is no basis that reappointment of Tohmatsu as Accounting Auditor of the Company is inappropriate, and we oppose this proposal.

### Counter Opinion of the Board of Directors on Proposal No. 15 to No. 21

Proposals No. 15 to No. 21 are proposals to provide such Articles in the Articles of Incorporation that special committees shall be established. The articles of incorporation are something that provide basic policies of the company, so providing establishment of committees for specific events in the Articles of Incorporation restricts the execution of operations of the Company unless the circumstances are exceptional, and we do not believe it can be said to be appropriate. In addition, some reasons for proposals are considered to be based on speculation by the proposing shareholders. Since the Board of Directors of the Company has properly verified the facts when needed, we do not believe that there is a need to establish the committees as in the proposals, and we oppose them.

**Proposal No. 15** Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to handling of shareholder proposal rights)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"A special committee must be established regarding handling of shareholder proposal rights."

Reasons for the proposal: The Company's Directors received an order to pay damages of 33,000 yen for the infringement on property rights of shareholders of "The Committee to Improve Hoya's Corporate Governance" in relation to the failure to include the proposal for dismissal of Director Hiroaki Tanji in the Notice of the Ordinary General Meeting of Shareholders in 2009, and three proposals on the partial amendment to the Articles of Incorporation and the proposal for dismissal of Director in the Notice of the Ordinary General Meeting of Shareholders in 2010 (Tokyo District Court, Presiding Judge Akira Yamada, 2012 ("WA") No. 14392). With regard to the provisional disposition seeking the inclusion of matters proposed by shareholders and the reasons for the proposals in the Notice of the Ordinary General Meeting of Shareholders, the Company received an order to do so for two consecutive years. Such an unusual situation occurred because the management, including Mr. Hiroshi Suzuki and the Independent Directors, failed to deliberate with a sincere attitude on the contents of shareholder proposals to increase shareholder value and improve corporate governance. Attorneys' fees incurred for handling lawsuits are a waste of money. It is a Director's minimal duty to include shareholder proposals in the Notice of the Ordinary General Meeting of Shareholders and respond to shareholders' opinions. In order to rectify this abnormal situation, we propose the establishment of special committee to study the facts and development leading to such situation.

**Proposal No. 16** Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to the relationship between the Company and Mr. Katsutoshi Kaneda)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"A special committee must be established regarding the relationship between the Company and Mr. Katsutoshi Kaneda."

Reasons for the proposal: Mr. Katsutoshi Kaneda (member of the House of Representatives, elected in Akita 2nd district, Liberal Democratic Party, former State Minister of Foreign Affairs), is the spouse of the second daughter of Honorary HOYA Chairman Mr. Tetsuo Suzuki. Shareholders of "The Committee to Improve Hoya's Corporate Governance" previously sent questions about the relationship between him and the Company and other related issues; however, we never received a reply. In the case of the Nishimatsu Construction scandal, even Civil Department No. 8, which usually makes rulings in favor of business entities, ordered former corporate managers of Nishimatsu to pay approximately 672 million yen. If it was the case in the past where the company's money was used to support a corporate manager's family member who is a Diet member, it can be recognized that the Directors have caused damage to the Company. We suspect such an act because the Company did not reply to shareholder's questions. We propose the establishment of a special committee and request that he performs his duty to provide clear explanations to shareholders.

**Proposal No. 17** Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to requests to Tape Rewrite Co., Ltd.)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"A special committee must be established regarding the suspicion of the Company's instructions to Tape Rewrite Co., Ltd. to falsify the content of the transcript."

Reasons for the proposal: In the drafting of transcripts of the recording of the 72nd Ordinary General Meeting of Shareholders in 2010 for the oral pleadings of the lawsuit on demanding the revocation of resolutions at the Ordinary General Meeting of Shareholders, the Company sent a facsimile to Tape Rewrite Co., Ltd. (Chiyoda-ku, Tokyo) on November
29 of that year instructing them to indicate that "no hands were raised" despite the fact that hands were indeed raised at the Meeting. This resulted in the creation of a transcript that did not represent the facts. Subsequently, Tape Rewrite Co., Ltd., agreed to pay settlement money to the proposing shareholders (Tokyo Summary Court, 2014 ("HA") No. 1213). Such an act of preparing false documents would result in the loss of trust in the Company and the possibility of an enormous detrimental impact on our business performance. When such a scandal occurs, the Company must immediately investigate the facts, and if a problem is detected, it must admit the fact and then strive to implement measures to prevent recurrences. However, the Company still repeats the assertion stated in the documents submitted to the court that there was no problem. This event simply and clearly shows the Company's compliance structure.

**Proposal No. 18** Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to discontinuation of inorganic EL research)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"A special committee must be established regarding the adequacy of discontinuation of inorganic EL research."

Reasons for the proposal: The Company announced on July 24, 2008 that "the QD-EL Research Group by a former employee, Senior Researcher and an employee, Researcher, which is the Company's R&D Center, won the 30th (2008) Paper Award of the Japan Society of Applied Physics (JJAP Paper Award) in recognition of a paper about all-inorganic quantuot electroluminescence, which was jointly published with

Honorary Professor Hiroshi Kawazoe of the Tokyo Institute of Technology." However, the Company suddenly decided to discontinue this research. The Company's management does not have sufficient knowledge about technology management and unreasonably discontinued the research of the former employee of HOYA and others, which had been recognized by the Society as a promising study. We believe that this is one of the most problematic management decisions. (The former employee was thereafter transferred to a competitor.) In substance, the Board of Directors is generally controlled by management in regard to management decisions because sufficient information is not provided regarding technology management judgement. The Company has not addressed the issue of why new technology development remains inactive and the essential question to improve the current situation. We propose the establishment of a special committee to investigate the background and other related issues.

## Proposal No. 19 Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to the suspension of rational creation of new businesses over the past 25 years)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"A special committee must be established regarding the suspension of the rational creation of new businesses over the past 25 years."

Reasons for the proposal: The Company's key businesses such as Photomasks, Maskblanks, HDD glass disks, intraocular lenses and retail business of contact lenses had been created by the end of the 1980's. The Company has not achieved a notable increase of corporate value over the past 25 years as a result of in-house technological development and rational investment activities through corporate acquisition (except for some activities including businesses associated with the Pentax acquisition at an unreasonable price). The most problematic events include the Pentax acquisition and the discontinuation of quantum dot research by a former employee (currently working at a competitor). While the Company earns stable profits in the operations derived from past businesses development, it is gradually declining because of nonperformance of proper development of new businesses over the last 25 years. However, currently this situation is being overlooked. The fact that large Japanese corporations still pay high wages to corporate managers and never dismiss them is also an issue of corporate governance. In order to increase the corporate value that we are supposed to attain, the Company needs to investigate the related facts and background and then consider drastic solutions.

## Proposal No. 20 Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to the business relationship with Kenko Tokina Co., Ltd.)

Gist of the proposal: It is proposed that an Article that reads as follows be added to the Articles of Incorporation:
"A special committee must be established regarding the business relationship with Kenko Tokina Co., Ltd."

Reasons for the proposal: Honorary HOYA Chairman Mr. Tetsuo Suzuki is one of the shareholders of Kenko Tokina Co., Ltd. Kenko Tokina previously distributed products with HOYA brand and provided a favor in the form of a salary payment to Mr. Katsutoshi Kaneda (former State Minister of Foreign Affairs, member of the House of Representatives (LDP), elected in Akita 2nd district), who is a brother-in-law of Mr. Hiroshi Suzuki during the period from his retirement from Ministry of Finance until his election as a member of the House of Councillors. As stated above, Kenko Tokina Co. Ltd. has a business relationship which poses a suspicion of provision of benefits by the Company's management. The Company's corporate manager, including Mr. Hiroshi Suzuki and Independent Directors, are aware of such longstanding conditions that may have an enormous detrimental impact on the Company's image; however, they leave this issue unaddressed and have overlooked the business relationship that is questioned in view of corporate governance. To remedy the current circumstances, we propose the establishment of a special committee through which the contents of this issue would be fully disclosed.

**Proposal No. 21** Partial Amendment to the Articles of Incorporation (Establishment of a special committee relating to appropriateness of hereditary succession of the corporate manager and the effect on shareholder value)

Gist of the proposal: "Establishment of a special committee relating to appropriateness of hereditary succession of the corporate manager and the effect on shareholder value."

Reasons for the proposal: Since Mr. Hiroshi Suzuki had assumed the representative position in 2000 from Mr. Mamoru Yamanaka, who is a brother-in-law of Honorary HOYA Chairman Mr. Tetsuo Suzuki, the Company has experienced chaotic conditions regarding technology management, etc. such as the Pentax acquisition, the sales of the MD media, the sudden discontinuation of "inorganic EL device" research and the transfer of a former employee to a competitor. The Company repeated illegal handling of shareholder proposals and received court orders for payment of damages, thus indicating that it had made a number of questionable judgements. The Company's share price was favorable before 2005 or so when the achievement of business development before the late 1980's was reflected in the business results; however, the share price remained stagnant thereafter. We believe this is because of hereditary succession of management. Mr. Takashi Arimori, an economic journalist, also stated that "logically there is a discrepancy between the U.S. style management that embodies shareholder-centered capitalism and the handover of the post of president to a son" ("*Sogyoka Monogatari (founder story)*" written by Takashi Arimori, Kodansha, p. 120). At the General Meeting of Shareholders in 2013, despite the fact that opposing proposals were not written in the documents, there was an approximate margin of 6% in the approval rate and Mr. Hiroshi Suzuki received the largest number of opposing votes ever (222,534 votes).

# Business Report An attachment to the Notice of the 77th Ordinary General Meeting of Shareholders (From April 1, 2014 to March 31, 2015)

## Matters Relating to the Present State of the HOYA Group

### Business Development and Results

**Progression and result of businesses**

**■ General Overview:**

As of March 31, 2015, the HOYA Group consisted of the HOYA CORPORATION, 118 consolidated subsidiaries (11 of which are domestic and 107 overseas) and 9 affiliates (4 of which are domestic and the other 5 overseas).

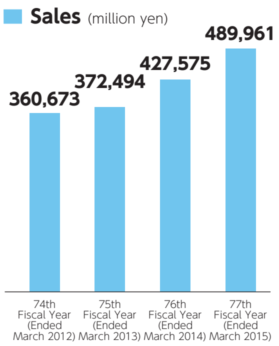
The HOYA Group is operated and managed through global consolidated group management. The independent management teams of business segments, including Information Technology, and Life Care, are responsible for executing management strategies.

Regional headquarters in the Americas, Europe and Asia support business operations by strengthening relationships with countries and areas in the respective regions, such as by providing legal support and conducting internal audits. In particular, the HOYA Group has its Financial Head Quarters (FHQ) at its Europe Regional Headquarters (Netherlands).

<Adoption of the International Financial Reporting Standards>

Beginning with the 73rd fiscal year, the HOYA Group prepares its consolidated financial statements and other documents in compliance with the International Financial Reporting Standards (IFRS) pursuant to the first paragraph, Article 120 of the Ordinance on Accounting of Companies. With respect to reportable segments presented in the overview of operation by business category, the HOYA Group divides its business into three reportable segments, based on IFRS. These segments are Information Technology, Life Care, and Other Businesses.

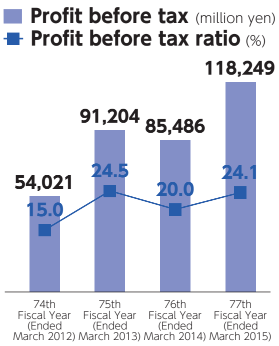
The Information Technology segment handles electronics related products used for the production of semiconductors, liquid crystals and hard disk drives (HDDs), and imaging related products such as digital camera lenses. The Life Care segment deals in health care related products such as eyeglass lenses and contact lenses, as well as medical related products such as intraocular lenses and endoscopes. The Other Businesses segment offers mainly information system services.



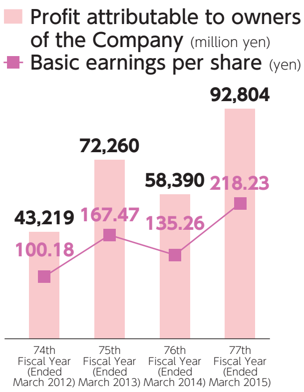

<Sales>

During the consolidated fiscal year under review, the global economy continued uncertain mainly due to an economic stagnation in Europe, slowing economic growth rate in emerging countries, and emergence of geopolitical risks including the situation in Ukraine and conflicts in Middle Eastern countries, despite a robust economy in the U.S. In Japan, while corporate performance, employment environment, etc. were improved such as by the government's economic policy and the Japanese economy showed signs of slow recovery, it was affected by the consumption tax raised in April for a long time.

In the Information Technology business of the HOYA Group, while sales of semiconductor and LCD-related products for smartphones and tablet computers and glass substrates for hard disk drives of laptop computers remained strong, sales of a product line related to digital cameras continued weak. Meanwhile, in the Life Care business, sales in the eyeglass lenses business greatly increased mainly owing to the fact that sales expanded in overseas markets and a sales company of Seiko eyeglass lenses became a consolidated subsidiary of HOYA Corporation at the end of the preceding consolidated fiscal year. In the retail contact lenses business, annual revenue decreased largely affected by the decreased demand in reaction to the consumption tax raised in April. However, sales of medical-related products excluding endoscopes mostly remained strong. Also owing to the depreciation of the yen, sales for the entire HOYA Group grew compared to the preceding fiscal year.




As a result, sales of continuing operations for the consolidated fiscal year under review amounted to 489,961 million yen, a 14.6% increase year on year.

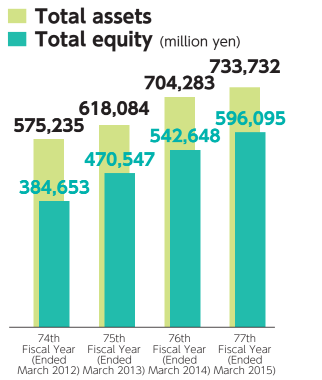



<Profit>

Thanks to the foreign exchange gain due to the appreciation of the U.S. dollar against the yen and euro compared to the end of the preceding consolidated fiscal year, in addition to improved profitability in the Information Technology segment, profit before tax and profit for the consolidated fiscal year under review significantly increased by 38.3% to 118,249 million yen and 54.5% to 92,941 million yen, respectively.

The ratio of profit before tax to sales was 24.1%, a 4.1 percentage point increase from 20.0% in the preceding consolidated fiscal year.

There were no discontinued operations in the consolidated fiscal year under review and the preceding consolidated fiscal year. Therefore, all numerical values and percentage changes herein are based on the continuing operations.

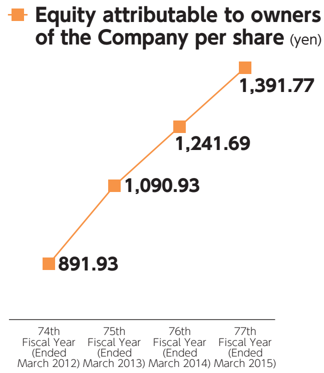



<Financial Position>

Total assets at the end of the fiscal year under review increased by 29,449 million yen from the end of the preceding fiscal year to 733,732 million yen.

Non-current assets decreased by 9,405 million yen to 180,166 million yen. This is primarily due to decreases in goodwill by 991 million yen, intangible assets by 4,287 million yen, and long-term financial assets by 2,025 million yen, and a decrease in property, plant and equipment by 1,321 million yen due to depreciation and amortization and disposals.

Current assets increased by 38,853 million yen to reach 553,566 million yen. This is primarily due to a rise in cash and cash equivalents by 17,726 million yen.




Total equity increased by 53,447 million yen to 596,095 million yen. This is primarily due to an increase in retained earnings of 30,920 million yen and the occurrence of other comprehensive income totaling 20,507 million yen.

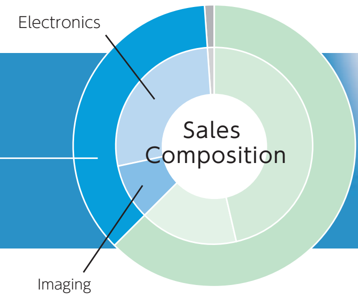
Equity attributable to owners of the Company increased by 53,487 million yen to reach 590,014 million yen.

Liabilities increased by 23,998 million yen to 137,637 million yen.

The ratio of equity attributable to owners of the Company to total assets as of the end of the consolidated fiscal year under review increased by 4.2 percent points from the end of the preceding consolidated fiscal year and reached to 80.4%, which was 76.2% in the preceding consolidated fiscal year.

The breakdown of changes in retained earnings is as presented later in this report in the section for Consolidated Statement of Changes in Equity.

# Information Technology 37%



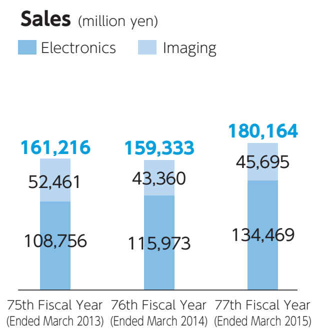

## Outline of consolidated results by business segment

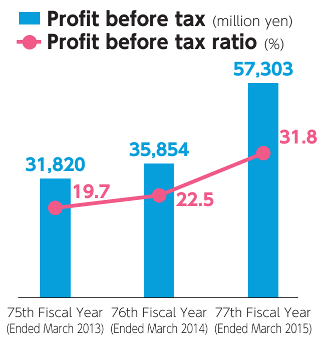
### Electronics related products

Sales of semiconductor-related products increased over the preceding consolidated fiscal year since sales volumes and unit prices of leading-edge products to middle/low-end products mainly for smartphones and tablet computers remained strong in addition to the impact of the depreciation of the yen.

Sales of LCD-related products grew over the preceding consolidated fiscal year since demand for small and medium-sized high-precision and high-resolution masks for smartphones and tablet computers remained favorable and demand for large masks for 4K and large screen TVs was strong.

As for glass substrates for hard disk drives, sales rebounded from the same period of the preceding year during which shipment remained weak due to production adjustment in markets. In addition, thanks to personal computer replacement demand due to the end of support for windows XP and robust demand for applications mainly for game machines and external hard disk drives, sales increased over the preceding consolidated fiscal year.

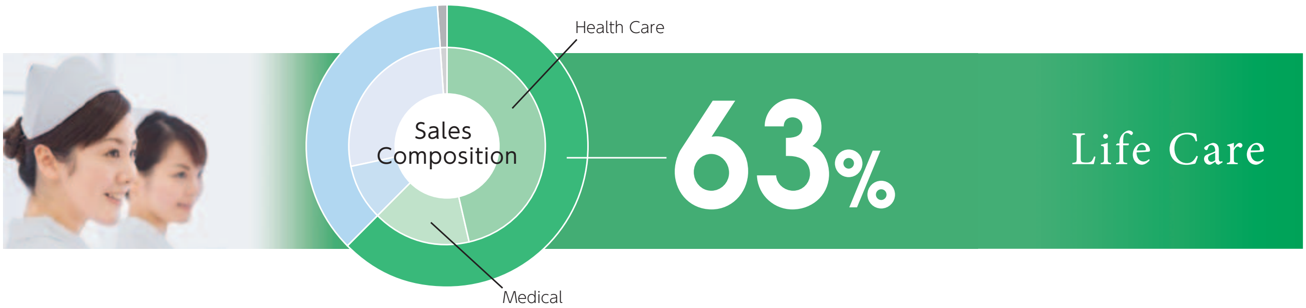



### Imaging related products

In the digital camera market including compact digital cameras and interchangeable lens cameras, sales volume considerably decreased due to smartphones encroaching on the market and sluggish sales caused by a slowdown in the Chinese economy. Under such conditions, the HOYA Group worked on sales of aftermarket interchangeable lenses and products for security cameras, and overall sales of imaging-related products increased over the preceding consolidated fiscal year.

As a result, sales of the Information Technology segment increased by 13.1% from the preceding consolidated fiscal year to 180,164 million yen, and the segment profit increased by 59.8% from the preceding consolidated fiscal year to 57,303 million yen.

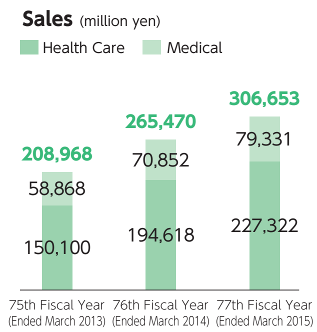



## Outline of consolidated results by business segment

### Health Care related products

Sales of eyeglass lenses substantially increased over the preceding consolidated fiscal year owing to revenue increased by the fact that a sales company of Seiko eyeglass lenses became a consolidated subsidiary of HOYA Corporation at the end of the preceding fiscal year, and increased sales volumes and unit selling prices in overseas markets as well as the impact of the depreciation of the yen.

As to contact lenses, although the HOYA Group worked to increase sales by new store opening of "Eyecity," and enhancement of promotion in existing stores, it faced prolonged decrease in demand in reaction to the consumption tax raised on April 1. Accordingly, sales of contact lenses decreased over the preceding consolidated fiscal year.

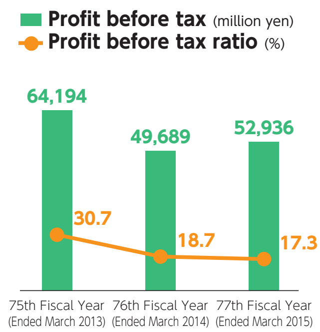



### Medical related products

Sales of medical endoscopes in Europe decreased over the preceding consolidated fiscal year due to fiscal austerity primarily in major countries and decrease in demand caused by worsening of the political situations in Middle East and Russia where sales had remained robust until the preceding consolidated fiscal year. In the North American market, shipment value decreased over the preceding consolidated fiscal year mainly owing to control of medical expenses, intensified competitive environment and delays in placing new products on the market. On the other hand, sales in Asia and Oceania remained favorable, especially in China, etc. and in Japan as well. Sales as a whole remained unchanged from the preceding consolidated fiscal year despite the depreciation of the yen.

As for certain intraocular lenses for cataracts (IOL), the HOYA Group recalled the products in February 2013, but it resumed selling the products in overseas markets in July 2013. For the Japanese market, epidemiological studies in limited facilities had been conducted since January 2014, and regular sales were resumed from August 2014. As the result, sales of intraocular lenses for cataracts gradually recovered and increased over the preceding consolidated fiscal year.

In consequence, sales of the Life Care segment increased by 15.5% from the preceding consolidated fiscal year to 306,653 million yen, and segment profit increased by 6.5% from the preceding consolidated fiscal year to 52,936 million yen.



## View of Capital Expenditures

The total capital expenditures of all operations of the HOYA Group amounted to 20,184 million yen during the consolidated fiscal year under review, an increase of 3,345 million yen over the preceding consolidated fiscal year.

In the consolidated fiscal year under review, investment in the Information Technology business amounted to 6,953 million yen and investment in the Life Care business amounted to 13,117 million yen, which account for 34.4% and 65.0%, respectively, of the total capital expenditures by the Group.

The investment was covered by internally generated funds.

During the consolidated fiscal year under review, for electronics related products in the Information Technology business, the HOYA Group invested in facilities for further improvement of technical capabilities and differentiation and invested for improving productivity. For imaging related products, the HOYA Group expanded its production facilities for energy-conservation and high-value added new materials for optical lenses.

In the Life Care business, for eyeglass lenses business seeking rapid growth in global markets, the HOYA Group invested in increasing capacity of mass-production plants in Asia and relocating and merging and abolishing processing plants around the world to improve their production efficiency.

During the second preceding consolidated fiscal year, the HOYA Group significantly invested in eyeglass lenses plants affected by the massive floods in Thailand to completely replace production facilities. Accordingly, capital investments have considerably decreased since the preceding consolidated fiscal year.

| Category | 75th Fiscal Year (Ended March 2013) | 76th Fiscal Year (Ended March 2014) | 77th Fiscal Year (Ended March 2015) |
|---|---|---|---|
| Capital expenditures (million yen) | 45,011 | 16,838 | 20,184 |

## Financing

There are no relevant items.

## Corporate Reorganizations, etc.

There are no relevant items.

## Management Issues Requiring Actions

The principal policy of the HOYA Group is to maximize its corporate value and to manage the Group with a global perspective, with the aim of acquiring leading shares in the markets it participates in. We are endeavoring to improve results by finding the optimum combination of our management resources in diverse range of business operations that brings out the full potential of our competitive edge.

Management issues at the HOYA Group are as follows:

(1) Flexible response to changes in the market and efficient utilization of management resources

In the manifold business areas of the HOYA Group, we will accurately identify customers' needs in the market and devise strategies ahead of the competition to respond quickly and flexibly to market trends. We will allocate management resources of the Group appropriately and will make timely decisions regarding plant and equipment investment, business alliances, mergers and acquisitions, withdrawal from or reduction in business operations, etc.

(2) Creation of new business and technologies

To secure corporate earnings and continue to grow, we realize that, in addition to expanding our businesses, building growth areas that differ from existing ones by developing technologies other companies cannot imitate and creating new businesses is critical.

We will devote even greater resources to developing world-class technologies and products that have a significant competitive advantage; to exploring and creating new businesses; and to acquiring and training personnel able to support our next generation business.

(3) Business expansion in the Life Care business

The reduction of burden and shortening of time for medical treatment are the demands of both physicians and patients, and minimally invasive treatment has been spreading at an accelerated pace. The HOYA Group will position the Life Care business fields (health care related products, such as eyeglass lenses and contact lenses, and medical related products, including endoscopes for medical treatment), where knowledge and experience in optics are applied, as a strategic growth area. We will devote management resources preferentially to these fields and intend to expand the businesses by increasing global sales through its efforts to boost market shares in developed countries and also expand into emerging countries.

(4) Securing stable earnings in the Information Technology business

The market is becoming matured in the Information Technology business. We will accelerate technological development, promotion of product differentiation and new product development by strengthening cooperation with customers, in an effort to turn this into a business area where we can secure contracts and maintain profitability regardless of the economic trends. At the same time, we will continuously endeavor to reduce costs by streamlining production facilities and by innovating production technologies. We will then invest earnings generated from the Information Technology business mainly in the Life Care business, a future area of growth.

We will thus minimize the range of fluctuations in the earnings of the HOYA Group caused by market conditions and financial conditions of customers so as to build a business structure that is less likely to be affected by the economy. This will be accomplished by maintaining a balance between the Life Care and Information Technology business areas.

(5) Energy conservation measures, risk dispersion and emergency preparedness

The HOYA Group has worked on environmental conservation including energy conservation, and learning from two catastrophes of the Great East Japan Earthquake in March 2011 and the massive floods in Thailand in October 2011, it has worked on further reducing electricity consumption and toward diversifying manufacturing bases including overseas transfer from the perspective of risk management. As a member of society as well as in terms of responsibilities of a supplier, the HOYA Group proactively continues to work on energy conservation measures, risk diversification and risk management.

## Changes in the State of Assets, Profits and Losses

Overview of Assets, Profits and Losses of the HOYA Group

| Classification | | 74th Fiscal Year (Ended March 2012) [IFRS] | 75th Fiscal Year (Ended March 2013) [IFRS] | 76th Fiscal Year (Ended March 2014) [IFRS] | 77th Fiscal Year (Current consolidated fiscal year) (Ended March 2015) [IFRS] |
|---|---|---|---|---|---|
| **Sales** | **(million yen)** | 360,673 | 372,494 | 427,575 | 489,961 |
| **Profit before tax** | **(million yen)** | 54,021 | 91,204 | 85,486 | 118,249 |
| **Profit for the year** | **(million yen)** | 42,680 | 72,403 | 60,140 | 92,941 |
| **Profit attributable to owners of the Company** | **(million yen)** | 43,219 | 72,260 | 58,390 | 92,804 |
| **Basic earnings per share** | **(yen)** | 100.18 | 167.47 | 135.26 | 218.23 |
| **Total assets** | **(million yen)** | 575,235 | 618,084 | 704,283 | 733,732 |
| **Total equity** | **(million yen)** | 384,653 | 470,547 | 542,648 | 596,095 |
| **Equity attributable to owners of the Company per share** | **(yen)** | 891.93 | 1,090.93 | 1,241.69 | 1,391.77 |

(Notes)

1. Starting with the 73rd fiscal year, the HOYA Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards pursuant to the first paragraph, Article 120 of the Ordinance on Accounting of Companies.
2. The amounts of sales and profit before tax present only the amounts for continuing operations. The amount of profit for the year presents the amount of all operations including discontinued operations.
3. Basic earnings per share is computed, based on the average of the total number of the outstanding shares during the fiscal year. Equity attributable to owners of the Company per share is computed, based on the total number of shares outstanding as of the end of fiscal year. The figures for the total number of outstanding shares exclude treasury shares.
4. Sales, Profit before tax and Profit for the year in the 74th fiscal year were much decreased respectively, due to a long time suspension of production and shipping of main products. The suspension was incurred by the considerable damages to production facilities relating to the massive flooding in Thailand in October 2011.
5. The HOYA Group changed its accounting policy in line with the revisions to IAS 19 "Employee Benefits" during the 76th fiscal year. The figures for the 75th fiscal year shown here are the values that were changed retrospectively to reflect these changes in the HOYA accounting policy. Further, the cumulative impact that occurs through the 74th fiscal year has been reflected in the amount of net assets at the beginning of the 75th fiscal year.
6. Profits including Profit before tax and Profit for the year in the 75th fiscal year significantly increased due to the inclusion of temporary income such as "insurance proceeds" for flood damages in Thailand and "gains related to the step acquisition of shares of subsidiary."
7. The overview of the 77th fiscal year (current consolidated fiscal year) is provided in the above section of this report titled "Business Development and Results."

## Important Subsidiaries

| Company name | Capital stock | Voting rights owned by the Company | Main business |
|---|---|---|---|
| HOYA HOLDINGS, INC. (USA) | 5,489 thousands of U.S. dollar | 100.0% | Regional headquarters in America |
| HOYA HOLDINGS N.V. (The Netherlands) | 9,930 thousands of euro | 100.0% | Holding company in Europe, controlling the distribution and sale of eyeglass lenses in Europe |
| HOYA HOLDINGS (ASIA) B.V. (The Netherlands) | 19 thousands of euro | 100.0% | Holding company for the region of Asia |
| HOYA HOLDINGS ASIA PACIFIC PTE LTD. (Singapore) | 80,794 thousands of Singapore dollar | 100.0% (100.0%) | Regional headquarters in Asia and Oceania |

(Note) The figure appearing in a bracket in the column entitled "Voting rights owned by the Company" represents indirect ownership.

## **Major Businesses** (as of March 31, 2015)

The HOYA Group has established two business domains in its management principle. They are "Information Technology" and "Life and Culture." In order to realize a continuous increase in the corporate value in each of the business domains, the Group makes decisions on management resource allocations and monitors business results. The major businesses of the HOYA Group can thus be broken down roughly to Information Technology business and Life Care business.

Diverse and varied application product groups that evolved as the result of the digitalization of information and emergence of Internet are the areas in which the Information Technology segment conducts business. The Group manufactures and sells a wide range of input/output (I/O) related devices, in the Information Technology field. Included are electronics related products that are indispensable for today's digital information and communication technology, and imaging related products that use optics technology and are necessary to capture images as digital data.

The Life Care segment manufactures and sells health care related products that are used routinely in medical treatment and health maintenance fields, and medical related products that include medical equipment and medical supplies used in medical treatment. Some unique features of this business segment are that government approvals and permits are required pursuant to the Pharmaceutical Affairs Law and that advanced technological strength and reliable quality control systems are the key requirements.

The major products and services handled by each division are as follows:

| Business segment | Business category | Major products and services |
|---|---|---|
| Information Technology | Electronics related products | Photomasks and Maskblanks for semiconductors,<br>Masks and Devices for liquid-crystal displays (LCDs)<br>Glass disk for hard disk drives (HDDs) |
| | Imaging related products | Optical lenses, Optical glasses,<br>Digital camera modules, Optical devices, Laser equipment |
| Life Care | Health care related products | Eyeglass lenses, Contact lenses |
| | Medical related products | Endoscopes, Medical accessories, Intraocular lenses, Artificial bone, Metallic implant for orthopedics |
| Other | | Design of information systems, outsourced works |

## **Head Office, Principal Places of Business and Plants** (as of March 31, 2015)

(1) HOYA CORPORATION

| Division | Name | Location |
|---|---|---|
| Corporate | Group Headquarters<br>Netherlands Branch<br>Singapore Branch | Shinjuku-ku, Tokyo<br>The Netherlands<br>Singapore |
| Information Technology | Blanks Division and other Divisions' Sales Departments<br>Nagasaka Office<br>Hachioji Factory<br>Kumamoto Factory<br>Akishima Factory | Shinjuku-ku, Tokyo<br>Hokuto-shi, Yamanashi<br>Hachioji-shi, Tokyo<br>Ozu-machi, Kumamoto<br>Akishima-shi, Tokyo |
| Life Care | Vision Care Company, Japan Headquarters<br>Eye Care Division<br>Medical Division, Japan Headquarters<br>Showa-no-mori Office | Nakano-ku, Tokyo<br>Nakano-ku, Tokyo<br>Nakano-ku, Tokyo<br>Akishima-shi, Tokyo |

(2) Subsidiaries

| Segment | Name | Location |
|---|---|---|
| Information Technology | HOYA CORPORATION USA<br>HOYA ELECTRONICS SINGAPORE PTE.LTD.<br>HOYA GLASS DISK VIETNAM LTD.<br>HOYA OPTICAL TECHNOLOGY (WEIHAI) CO., LTD.<br>HOYA CANDEO OPTRONICS CORPORATION<br>PENTAX CEBU PHILIPPINES CORPORATION | USA<br>Singapore<br>Vietnam<br>China<br>Toda-shi, Saitama, Japan<br>The Philippines |
| Life Care | HOYA LENS DEUTSCHLAND GMBH<br>HOYA OPTICAL LABS OF AMERICA, INC.<br>HOYA LENS THAILAND LTD.<br>HOYA MEDICAL SINGAPORE PTE.LTD.<br>PENTAX OF AMERICA INC.<br>PENTAX EUROPE GMBH | Germany<br>USA<br>Thailand<br>Singapore<br>USA<br>Germany |
| Other | HOYA SERVICE CORPORATION | Nakano-ku, Tokyo, Japan |
| Corporate | HOYA HOLDINGS, INC.<br>HOYA HOLDINGS N. V.<br>HOYA HOLDINGS (ASIA) B. V.<br>HOYA HOLDINGS ASIA PACIFIC PTE LTD. | USA<br>The Netherlands<br>The Netherlands<br>Singapore |

## **Employees** (as of March 31, 2015)

(1) By segment

| Segment | Number of employees | Year-on-year comparison at year end |
|---|---|---|
| Information Technology | 19,378 | down 1,878 |
| Life Care | 14,878 | down 82 |
| Other | 281 | down 10 |
| Corporate | 98 | no change |
| Total | 34,635 | down 1,970 |

(2) Changes in the number of employees

| Category | 74th Fiscal Year (Ended March 2012) | 75th Fiscal Year (Ended March 2013) | 76th Fiscal Year (Ended March 2014) | 77th Fiscal Year (Ended March 2015) |
|---|---|---|---|---|
| Overseas | 28,663 | 31,503 | 32,728 | 30,904 |
| Japan | 3,700 | 3,627 | 3,877 | 3,731 |

(Notes)
1. The number of employees represents regular employees of all operations. Temporary and contract workers are excluded.
2. The Corporate figure represents the number of employees in the Group Headquarters and overseas regional headquarters and branches.
3. Employees at HOYA CORPORATION numbered 2,929 (down 199 YOY). Their ages and service periods averaged 43.2 and 17.8 years, respectively.

## **Major Lenders** (as of March 31, 2015)

| Lender | Loans payable |
|---|---|
| Seiko Holdings Corporation | 1,756 million yen |

## Other Important Matters concerning the HOYA Group

There are no relevant items.

# Current State of the Company

## **State of Shares** (as of March 31, 2015)

(1) Total number of shares the Company authorized: Common stock 1,250,519,400 shares

(2) Total number of issued shares: Common stock 425,782,920 shares

(3) Number of shareholders: 42,994 (Down 16,845 YOY)

(4) Number of shares constituting one unit: 100 shares

(5) Principal shareholders: (Top 10 shareholders)

| Rank | Name | Number of shares | Percentage of investment |
|---|---|---|---|
| | | (Hundred shares) | % |
| 1 | State Street Bank and Trust Company | 287,737 | 6.78 |
| 2 | Japan Trustee Services Bank, Ltd. (Trust Account) | 224,669 | 5.29 |
| 3 | The Master Trust Bank of Japan, Ltd. (Trust Account) | 167,090 | 3.94 |
| 4 | The Chase Manhattan Bank 385036 | 104,810 | 2.47 |
| 5 | State Street Bank and Trust Company 505223 | 90,362 | 2.13 |
| 6 | Mamoru Yamanaka | 90,204 | 2.12 |
| 7 | State Street Bank and Trust Company 505225 | 86,673 | 2.04 |
| 8 | The Bank of New York Mellon SA/NV 10 | 72,423 | 1.70 |
| 9 | JP Morgan Chase Bank 385632 | 63,458 | 1.49 |
| 10 | Mellon Bank, N.A. as Agent for Its Client Mellon Omnibus US Pension | 62,659 | 1.47 |

(Notes)

1. In consideration of the number of voting rights, the numbers of shares are stated in units of one hundred shares and the shares that do not constitute one trading unit are rounded down.
2. The percentage of investment is calculated by excluding treasury stocks (1,851,943 shares).

A resolution was made at the Board of Directors meeting held on May 12, 2015, to repurchase the Company's own shares as follows.

Total number of shares to be repurchased (maximum): 10 million shares
Total amount to be paid for repurchase (maximum): 45 billion yen
Period of share repurchase: May 13, 2015 to September 30, 2015

## State of Stock Acquisition Rights, etc.

(1) Stock acquisition rights owned by Directors and Executive Officers of the Company that have been issued as compensation for their execution of duties as of the end of the fiscal year under review

| Issue (Date of resolution) | 5th issue of stock acquisition rights (December 22, 2005) | 6th issue of stock acquisition rights (October 19, 2006) | 7th issue of stock acquisition rights (October 29, 2007) | 8th issue of stock acquisition rights (November 10, 2008) | 10th issue of stock acquisition rights (November 19, 2009) | 11th issue of stock acquisition rights (November 18, 2010) | 12th issue of stock acquisition rights (December 22, 2011) | 13th issue of stock acquisition rights (December 20, 2012) | 14th issue of stock acquisition rights (December 19, 2013) | 15th issue of stock acquisition rights (December 18, 2014) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Number of stock acquisition rights** | 115 | 92 | 92 | 92 | 112 | 116 | 166 | 157 | 878 | 591 |
| **Type and number of shares to be issued on exercise of stock acquisition rights** | 46,000 shares of common stock | 36,800 shares of common stock | 36,800 shares of common stock | 36,800 shares of common stock | 44,800 shares of common stock | 46,400 shares of common stock | 66,400 shares of common stock | 62,800 shares of common stock | 351,200 shares of common stock | 236,400 shares of common stock |
| **Exercise price per share** | 4,150 yen | 4,750 yen | 4,230 yen | 1,556 yen | 2,215 yen | 1,947 yen | 1,616 yen | 1,648 yen | 2,846 yen | 3,972.5 yen |
| **Contribution of stock acquisition right** | No contribution is required in exchange for a stock acquisition right. | | | | | | | | | |
| **Exercise period** | October 1, 2006 – September 30, 2015 | October 1, 2007 – September 30, 2016 | October 1, 2008 – September 30, 2017 | October 1, 2009 – September 30, 2018 | October 1, 2010 – September 30, 2019 | October 1, 2011 – September 30, 2020 | October 1, 2012 – September 30, 2021 | October 1, 2013 – September 30, 2022 | October 1, 2014 – September 30, 2023 | October 1, 2015 – September 30, 2024 |
| **Outline of terms and conditions for the exercise of stock acquisition rights** | -Exercise of stock acquisition rights is permitted under certain conditions even after retiring from the post due to the expiration of term of office or mandatory retirement age.<br>-Inheritance or transfer of the stock acquisition rights, creation of a pledge concerning the rights, etc. are not permitted. | | | | | | | | | |
| | **Number of owners/[Number of stock acquisition rights]** | | | | | | | | | |
| **State of ownership** – **Directors (excluding Outside Directors) and Executive Officers** | 2 [65] | 1 [82] | 1 [82] | 2 [92] | 3 [112] | 3 [106] | 4 [140] | 4 [137] | 4 [764] | 5 [491] |
| **State of ownership** – **Outside Directors** | 1 [50] | 1 [10] | 1 [10] | 0 [0] | 0 [0] | 1 [10] | 3 [26] | 3 [20] | 5 [114] | 6 [100] |

(Notes)

1 The first issue of stock acquisition rights, resolved at the meeting of the Board of Directors held on October 21, 2002, the third issue of stock acquisition rights, resolved at the meeting of the Board of Directors held on November 27, 2003, and the fourth issue of stock acquisition rights, resolved at the meeting of the Board of Directors held on November 25, 2004, have ceased to exist, as the respective periods for their exercise have elapsed.

2. No stock acquisition rights were granted to Directors and Executive Officers of the Company in the second issue of stock acquisition rights resolved at the meeting of the Board of Directors held on May 23, 2003 and in the ninth issue of stock acquisition rights resolved at the meeting of the Board of Directors held on February 5, 2009.

(2) Conditions of stock acquisition rights granted to employees, etc. as compensation for the fulfillment of duties during the fiscal year under review

| Issue (Date of the resolution) | | 15th issue of stock acquisition rights (December 18, 2014) |
|---|---|---|
| Number of stock acquisition rights | | 865 rights |
| Type and number of shares to be issued on exercise of stock acquisition rights | | 346,000 shares of common stock |
| Exercise price per share | | 3,972.5 yen |
| Contribution of stock acquisition right | | No contribution is required in exchange for stock acquisition right. |
| Exercise period | | October 1, 2015 – September 30, 2024 |
| Outline of terms and conditions for the exercise of stock acquisition rights | | -Exercise of stock acquisition rights is permitted under certain conditions even after retiring from the post due to the expiration of term of office or mandatory retirement age.<br>-Inheritance or transfer of the stock acquisition rights, creation of a pledge concerning the rights, etc. are not permitted. |
| State of grant | Employees of the Company | Number of owners: 34<br>Number of stock acquisition rights: 400 |
| | Directors and employees of subsidiaries of the Company | Number of owners: 45<br>Number of stock acquisition rights: 465 |

## Directors of the Company

(1) Directors and Executive Officers

| Name | Position and role at the Company | Important positions of other organization concurrently held |
|---|---|---|
| **Yukiharu Kodama** | Director<br>Chairman, Audit Committee<br>Nomination Committee member<br>Compensation Committee member | Chairman of the Mechanical Social Systems Foundation<br>Outside Auditor of Tokyo Dome Corporation<br>Outside Auditor of Yomiuri Land Co., Ltd. |
| **Itaru Koeda** | Director<br>Chairman, Nomination Committee<br>Compensation Committee member<br>Audit Committee member | Executive Advisor and Honorary Chairman of Nissan Motor Co., Ltd. |
| **Yutaka Aso** | Director<br>Chairman, Compensation Committee<br>Nomination Committee member<br>Audit Committee member | Chairman and Representative Director of Aso Corporation<br>President and Representative Director of Aso Cement Co., Ltd.<br>Chairman of Kyushu Economic Federation |
| **Yukako Uchinaga** | Director<br>Nomination Committee member<br>Compensation Committee member<br>Audit Committee member | President of J-WIN (Japan Women's Innovative Network), Non-Profit organization<br>Outside Director of Aeon Co., Ltd.<br>Outside Director of DIC Corporation |
| **Mitsudo Urano** | Director<br>Nomination Committee member<br>Compensation Committee member<br>Audit Committee member | Outside Director of Mitsui Fudosan Co., Ltd.<br>Outside Director of Yokogawa Electric Corporation<br>Outside Director of Resona Holdings, Inc.<br>Advisor of Nichirei Corporation<br>President of AgriFuture Japan, General Incorporated Foundation<br>Chairman of Nippon Omni-Management Association, General Incorporated Foundation<br>Outside Director of Hitachi Transport System, Ltd. |
| **Takeo Takasu** | Director<br>Nomination Committee member<br>Compensation Committee member<br>Audit Committee member | Outside Director of Bell-Park Co.,Ltd.<br>Outside Director of KADOKAWA CORPORATION<br>Outside Director of Cool Japan Fund Inc. |
| **Hiroshi Suzuki** | Director<br>President & CEO | |
| **Ryo Hirooka** | Representative Executive Officer & CFO | |
| **Eiichiro Ikeda** | Executive Officer & COO, Information Technology | |
| **Girts Cimermans** | Executive Officer,<br>President of VISION CARE COMPANY | |
| **Augustine Yee** | Executive Officer, Chief Legal Officer and Head of Corporate Development and Affairs | |

(Notes)

1. Directors Mr. Yukiharu Kodama, Mr. Itaru Koeda, Mr. Yutaka Aso, Ms. Yukako Uchinaga, Mr. Mitsudo Urano and Mr. Takeo Takasu are all outside directors as designated in Article 2-15 of the Company Law.
2. Members of the Audit Committee have more than sufficient experience in either finance or accounting having served for several years as company leaders or overseen the industrial world broadly in the central government or be either an outside director or advisor of financial institutions. In particular, Director Mr. Takasu possesses long-standing experience working in a bank.

(2) Independent Directors

The Company provided notice on Mr. Yukiharu Kodama, Mr. Itaru Koeda, Mr. Yutaka Aso, Ms. Yukako Uchinaga, Mr. Mitsudo Urano and Mr. Takeo Takasu to the Tokyo Stock Exchange as being independent directors appointed by the Company, in accordance with the Tokyo Stock Exchanges rules and regulations.

(3) Outside Directors

(i) Important positions and roles concurrently held by the Company's Outside Directors at other organization and their relationship with the Company is shown in "(1) Directors and Executive Officers" above. There is no important business transactions relationship between the Company and each of any other organization.

(ii) Attendance at Board of Directors Meetings and other Committee Meetings (Number of meetings attended/Number of meetings held)

| Name | Board of Directors Meeting | Nomination Committee | Compensation Committee | Audit Committee |
|---|---|---|---|---|
| **Yukiharu Kodama** | 10/10 (100%) | 7/7 (100%) | 7/7 (100%) | 9/9 (100%) |
| **Itaru Koeda** | 10/10 (100%) | 7/7 (100%) | 7/7 (100%) | 9/9 (100%) |
| **Yutaka Aso** | 10/10 (100%) | 7/7 (100%) | 7/7 (100%) | 9/9 (100%) |
| **Yukako Uchinaga** | 8/10 (80%) | 5/7 (71%) | 5/7 (71%) | 7/9 (78%) |
| **Mitsudo Urano** | 10/10 (100%) | 7/7 (100%) | 7/7 (100%) | 9/9 (100%) |
| **Takeo Takasu** | 8/8 (100%) | 5/5 (100%) | 5/5 (100%) | 7/7 (100%) |

(iii) Major activities at the Board of Directors Meetings and other Committee Meetings during the Fiscal Year under review

| Name | Major activities |
|---|---|
| **Yukiharu Kodama** | Mr. Kodama actively made useful contributions to the discussion of items on the agenda based on his experience as the minister's aide and an impartial observer of the business community at the Ministry of International Trade and Industry (the predecessor of the Ministry of Economy, Trade and Industry), and based on the substantial experience and expertise he has gained at financial institutions.<br>As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in terms of management supervision. As the Chairman of the Audit Committee, Mr. Kodama led the discussions toward Committee decisions on agenda items, including verification of financial statements, monitoring of internal control systems, and auditing of operations and assets. |
| **Itaru Koeda** | Mr. Koeda made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.<br>As an Outside Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, Mr. Koeda provided advice on the competitive environment facing the HOYA Group, and as the Chairman of the Nomination Committee, led the discussion of propositions for decisions by the Committee concerning interviews with Executive Officer candidates and the appointment of Directors and Executive Officers, etc. |
| **Yutaka Aso** | Mr. Aso made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.<br>As an Outside Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, Mr. Aso provided advice on HOYA's Life Care segment based on trends in the medical industry and actively provided opinions on responsibilities of the execution side and their motivation. In addition, as the Chairman of the Compensation Committee, Mr. Aso led the discussion of propositions for decisions by the Committee concerning the remuneration system for Directors, construction of a remuneration system that raises the incentive of Executive Officers and the performance of appropriate performance evaluation. |
| **Yukako Uchinaga** | Ms. Uchinaga made useful contributions to the discussion of items on the agenda, based on her substantial management experience and expertise.<br>As an Outside Director, she made remarks from an objective and impartial position as the occasion required, and fulfilled her role in terms of management supervision. In particular, Ms. Uchinaga provided advice concerning the Company's IT environment based on her experience in the IT field and proactively expressed opinions on securing diversity in the Company. |
| **Mitsudo Urano** | Mr. Urano made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.<br>As an Outside Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, Mr. Urano has provided advice in terms of compliance and proactively expressed opinions on new product development and business models. |
| **Takeo Takasu** | Mr. Takasu made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.<br>As an Outside Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, Mr. Takasu was proactive in asking questions concerning specific methods of achieving operating performance and expressing opinions concerning governance. |

(iv) Overview of liability limitation contract

The Company and its Outside Directors have concluded an agreement that limits possible future liabilities of the latter prescribed in the first paragraph, Article 423 of the Companies Act to the higher of 10 million yen or the amount prescribed by the first paragraph of Article 425 of the Act.

## Remuneration etc. for the Directors and Executive Officers of the Company

(1) Policy of the Compensation Committee for determining the amount of remuneration and other benefits received by Directors and Executive Officers and details of the policy

(i) Basic policy

The Company has established the Compensation Committee with the objective of "contributing to improvement of results of the Company by constructing a remuneration system that raises motivation among Directors and Executive Officers and by appraising their performance appropriately." The Committee is made up of all of 6 Outside Directors who are not Executive Officers of the Company.

(ii) Policy concerning remuneration for Directors

The remuneration of Directors consists of a fixed salary and stock options.

The fixed salaries consist of a basic compensation and compensation for being a member or a chairman of the Nomination, Compensation or Audit Committee. The compensation levels are set appropriately by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

(iii) Policy concerning remuneration for Executive Officers

The remuneration of Executive Officers consists of a fixed salary, performance-based remuneration and stock options.

Fixed salaries are set appropriately according to the office and responsibility of each Executive Officer (President, CFO, etc.) and by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

Performance-based remuneration is determined by both financial performance, measured as the percentage of targets met with respect to indicators corresponding to sales, operating profit, net profit and earnings per share according to Japanese GAAP, which is given an 80% weight, and the degree of achievement with respect to management measures set at the beginning of the fiscal year, which is given a 20% weight. Remuneration typically consists of 50% fixed salary and 50% performance-based pay. The performance-based portion, however, can fluctuate widely, depending on the Company's performance.

Benefits granted to expatriates (such as housing) are also set at appropriate levels in consideration of the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

(iv) Stock options

In order for newly-appointed Directors and Executive Officers to share the same perspective as shareholders in regards to share price, and for re-appointed to share common interest with shareholders on long-term basis, commensurate stock options, which are a certain percentage of the granted shares when newly-appointed, are granted continuously every year in consideration of the exercise price at the time of granting (a market price one day prior to a Board of Directors resolution regarding stock option grants), fluctuations in the share price during the exercise period and fixed annual salaries.

Based on the above, fixed number of stock options are granted to Outside Directors each year, whereas the number of stock options granted to Executive Officers is based on Company performance and individuals' evaluations, subject to deliberation by the Compensation Committee and decided by the Board of Directors. After a waiting period of approximately one year, the exercisable portion of the stock options in each of the years following thereafter will be 25% of the total number granted. The period during which the stock options may be exercised is 10 years.

Retirement benefits for Directors were eliminated in 2003 as it was determined that these benefits were essentially a service pay for many years of service and had little to do with Company's performance or shareholder returns, and as such are not appropriate as a component of the Directors compensation scheme.

(2) Total amount of remuneration, etc. of Directors and Executive Officers for the fiscal year under review

| Classification | | Number of payees | Total amount of remuneration, etc. | Total amount of remuneration by type | | |
|---|---|---|---|---|---|---|
| | | | | Fixed salary | Performance-based remuneration | Stock options |
| Directors | Outside | 7 persons | 84 million yen | 60 million yen | — | 24 million yen |
| | Internal | 1 person | 8 million yen | 8 million yen | — | — |
| | Total | 8 persons | 92 million yen | 68 million yen | — | 24 million yen |
| Executive Officers | | 6 persons | 754 million yen | 309 million yen | 296 million yen | 148 million yen |
| Total | | 13 persons | 846 million yen | 377 million yen | 296 million yen | 172 million yen |

(Notes)
1. At the end of the fiscal year under review, there were seven Directors and five Executive Officers. One of the five Executive Officers served concurrently as Internal Director.
2. The total amount of remuneration includes remuneration paid to one Outside Director and one Executive Officer who retired as of the conclusion of the 76th Ordinary General Meeting of Shareholders.
3. Fixed salary for Executive Officers includes oversea Executive Officer's benefit as expatriate of 105 million yen.
4. For the stock options, fair values of stock acquisition rights were calculated and the table above shows amounts to be recorded as expenses for the fiscal year under review.

(3) Amount of consolidated remuneration for each Director and Executive Officer (CEO and those with remuneration totaling 100 million yen or more)

(i) The remuneration of the Chief Executive Officer (CEO) for the 77th fiscal year is as follows.

| Name | Total amount | Fixed salary | Performance-based remuneration | Stock options |
|---|---|---|---|---|
| Hiroshi Suzuki, CEO | 231 million yen | 106 million yen | 104 million yen | 21 million yen |

(ii) Other Director/Executive Officer other than the above whose consolidated remuneration totaled 100 million yen or more during the fiscal year under review are as follows.

| Name | Total amount | Fixed salary | Performance-based remuneration | Stock options |
|---|---|---|---|---|
| Ryo Hirooka, CFO | 137 million yen | 38 million yen | 61 million yen | 39 million yen |
| Eiichiro Ikeda, Executive Officer & COO, Information Technology | 131 million yen | 47 million yen | 48 million yen | 36 million yen |
| Girts Cimermans, Executive Officer, President of VISION CARE COMPANY | 121 million yen | 49 million yen | 31 million yen | 42 million yen |
| Augustine Yee, Executive Officer, Chief Legal Officer and Head of Corporate Development and Affairs | 141 million yen | 72 million yen | 53 million yen | 16 million yen |

## Independent Auditors

(1) Name Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration, etc.

| Classification | Amount of payment |
|---|---|
| **Amount of remuneration, etc. paid to independent auditors regarding the fiscal year under review** | 167 million yen |
| **Aggregate amount of monetary and other asset gains the Company and its subsidiaries owe to independent auditors** | 179 million yen |

(Notes)

1. The audit agreement between the Company and its independent auditors makes no clear distinction between the amount of audit fees based on the Companies Act and the audit fee based on the Financial Instruments and Exchange Act. For this reason, the total amount of remuneration, etc. paid to the independent auditors is stated as the amount of remuneration, etc. for the fiscal year under review.
2. The member firms of Deloitte Touche Tohmatsu Limited and Ernst & Young Global Limited provide audit services to the Company's major subsidiaries overseas.

(3) Policy on dismissal of independent auditors or decision against reappointment

When a condition that corresponds to any of the reasons for dismissal prescribed in the items of first paragraph, Article 340 of the Companies Act exists, and dismissal is deemed to be reasonable, the Audit Committee shall dismiss the independent auditors with the agreement of all Audit Committee members. In this case, an Audit Committee member appointed by the Audit Committee shall report the dismissal of the independent auditors and the reason for the dismissal at the first General Meeting of Shareholders following the dismissal.

The Audit Committee shall also examine the potential for reappointment by taking into consideration the term of office of independent auditors, the status of prior audit execution, the presence or absence of any serious reason that causes independent auditors to lose credibility, and other circumstances, and, when reappointment is not considered reasonable, shall place "no reappointment of independent auditors" on the agenda for discussion at a General Meeting of Shareholders on the regulations of the Audit Committee.

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［Notes］

1. Yen amounts shown were obtained by rounding fractions to the closest stated units. Percentage figures shown were also obtained by rounding fractions to the lowest place shown. Numbers of shares shown were obtained by rounding down fractions less than the stated units.
2. Sales and other figures do not include consumption tax or local consumption tax.

## Frameworks and Policies of the Company

### 1. Frameworks and Policies Concerning Internal Control Systems

The HOYA Group shall operate businesses of different products and markets based on a business division system. Each division shall carry out business in Japan and overseas under the management of the person responsible for that business using an appropriately assigned group of human resources, and possess the responsibility for management and profitable operations of the business including the subsidiaries belonging to that division. Group Headquarters shall be structured to cooperate with the functional departments of each business, specifically with respect to the functions of strategy, legal affairs, finance, and human resources, and assist and promote the business execution at each business division based on the HOYA Group's management policies.

**1) System for Ensuring Adequacy of Operations**

Contents of the resolutions the Board of Directors of the Company made with regard to internal control systems set out in (b) and (e) of first item, first paragraph, Article 416 of the Companies Act and Article 112 of the Ordinance for Enforcement of the Companies Act are as follows:

(1) Important matters in the execution of duties by the Audit Committee

(i) Matters concerning Directors and employees assisting the Audit Committee in its duties
The Audit Committee Office shall be established to assist the Audit Committee in its duties.

(ii) Matters concerning independence from the Executive Officers of Directors and employees stated in the above item and matters on securing effectiveness of instructions to Directors, etc. stated in the above item
The Audit Committee has the power to appoint and dismiss staff members of the Audit Committee Office.
Executive Officers shall not give directions to staff of the Audit Committee secretariat.

(iii) Systems required for reports to the Audit Committee by Executive Officers and employees, systems required for reports to the Audit Committee by Executive Officers and employees, etc. of subsidiaries, and systems required to ensure a person who reports to the Audit Committee does not receive unfair treatment
The Board of Directors Regulations were amended to require reporting of all important matters to the Board of Directors, where Outside Directors comprise the majority of Board members. As a result, reports to the Board of Directors began to cover all important matters. For this reason, no special stipulations are established regarding matters that need to be reported to the Audit Committee.
The person responsible for the management of each respective business division shall swiftly report information being stored or managed in each organization inside the HOYA Group including subsidiaries operating within the business division as requested by the Audit Committee or the Internal Audit Department.
A department for receiving internal reporting shall be established under the Audit Committee, and this department shall serve as a point to receive reporting of conduct, etc. that is in violation of laws and regulations, the Company's Articles of Incorporation, internal regulations or socially accepted conventions, or to provide advice thereof. Any unfair treatment of the person reporting or the person seeking advice (including any retaliatory measures such as dismissal, salary reduction, transfer, or harassment) is prohibited.

(iv) Matters regarding procedures for advanced payment or reimbursement of costs arising through execution of duties at Audit Committee, or other costs or obligations arising through execution of other duties for members of the Audit Committee
Concerning claims for costs arising through the execution of duties at the Audit Committee meeting for members of the Audit Committee, when there are claims from each member of the Audit Committee, appropriate processing of relevant costs or obligations will be performed expeditiously under deliberation by departments and divisions concerned, except in cases when the costs relating to the relevant claims were not necessary for the execution of the relevant duties.

(v) Other systems to ensure the effectiveness of audits by the Audit Committee
The Internal Audit Department shall conduct audits focusing on onsite audits of each place of business inside the HOYA Group, including subsidiaries, according to the audit policies and plans adopted by the Audit Committee, and shall report to the Audit Committee as the occasion demands.
The Audit Committee shall determine the rules of the Audit Committee, stipulate the details, and ensure the effectiveness thereof.

(2) Matters required for ensuring the adequacy of operations

(i) Systems concerning the storage and management of information about the execution of duties by Executive Officers
Efforts shall be made to adequately store and manage important matters, including documents, records and minutes relating to applications for approval within the HOYA Group, in accordance with laws, regulations and other standards.

(ii) Regulations and other systems concerning the management of the risk of loss of the HOYA Group
Each business division (including the subsidiaries operating inside the respective business division) and organ shall try to identify and manage risks, and shall aim for improvements as the occasion demands, taking into consideration the instructions of the Internal Audit Department, etc.
If a serious crisis occurs, a crisis management headquarters shall be swiftly established under the direct management of the CEO, and efforts shall be focused on response, and settlement of the situation.

(iii) Systems for ensuring the efficiency of duty performance by Executive Officers of the Company and each business division
Each division shall carry out its operations according to the annual plan and the quarterly budget adopted at meetings of the Board of Directors. The HOYA Group shall ensure the efficiency of Group management by evaluating the levels of target achievement every quarter and working to make improvements as the occasion demands.
Executive Officers shall be timely and precise in performing their duties based on the decision-making system for their execution of duties, which covers their standards for approving important matters.
Efficient procurement of funds shall be conducted in accordance with a common cash management system shared by the HOYA Group.
Efficient accounting management shall be carried out in accordance with a common accounting management system shared by the HOYA Group.

(iv) Systems for ensuring compliance with laws, ordinances and the Articles of Incorporation of the way duties are performed by Executive Officers of the Company, Directors etc. of subsidiaries, and employees of the HOYA Group
The HOYA Group shall observe across its organization the HOYA Business Conduct Guidelines established based on the Management Policy and Management Principles of the Group, and shall undertake educational activities as required. The HOYA Group will reinforce the effectiveness of such activities with the HOYA Help Line, an intra-Group system for reporting and counseling. The Group shall operate this system to ensure the soundness of Group activities

(v) Systems for reporting matters concerning performance of duties of employees of the HOYA Group and Directors, etc. of the Company's subsidiaries
The performance of duties for each business division shall be reported at the regularly held Business Report Meetings and Budgetary Meetings.
The occurrence of important matters as provided for by the internal rules of the HOYA Group shall be reported by each business division to the Group Headquarters and the Company's Executive Officers.

(3) System for ensuring reliability of financial reporting
The HOYA Group shall establish and manage a system of internal controls for financial reporting and build a system for evaluating its financial reporting to ensure the reliability of its financial reporting and valid, appropriate submission of internal control reports as prescribed in the Financial Instruments and Exchange Act.

**2) Basic Policy for Eliminating Antisocial Forces**

A meeting of the Board of Directors resolved to adopt the following basic policy for the elimination of antisocial forces. We shall have no association whatsoever with antisocial forces, and deal with undue claims made by such forces resolutely as an organization in cooperation with specialized external agencies.

(Note) Following the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) and the "Order for Partial Revision of Ordinance for Enforcement of the Companies Act" (Order No. 6 of 2015) effective from May 1, 2015, the Company has partially amended the contents of the frameworks and policies concerning internal control systems based on resolutions at the meetings of the Board of Directors held on March 26, 2015 and May 12, 2015, and the above frameworks and policies reflect the said amendments. The content of the amendments was made to suit the current conditions of the HOYA Group concerning system for ensuring adequacy of operations and auditing system and the contents was changed to specific and clear expressions in line with revisions to laws and regulations.

**2. Basic Policy on Parties that Control Decisions Concerning Corporate Finance and Business Policies**

The Company does not have a specific basic policy in this regard. However, the Company's basic view is as follows:

The Company takes the view that judgment should ultimately lie with shareholders when an acquisition proposal and the like is made with the transfer of management control as its objective. Currently no concrete threat regarding acquisition emerges. The Company has no intention to fix concrete arrangements (so-called "countermeasures against takeovers) before the emergence of any such proposal. The responsibility of management is not to take unnecessary actions to defend companies from takeovers. As an entity that operates for the benefit of its shareholders, the Company considers it crucial to increase the return of profit to shareholders and increase its corporate value by constantly monitoring transactions of its shares and changes to its shareholders, to improve its business performance and increase its financial strength with the greater objective of achieving further growth.

If an acquisition or similar proposal is made, the Company considers it important to provide the information shareholders require to make a judgment based on an examination of the proposal made by the proposer. If the Company believes that the proposal will not increase the corporate value of the Company and benefit the common interest of its shareholders, it will clearly explain to the shareholders the reasons that form the background to its position, and try to obtain the understanding of shareholders.

### 3. Policy Concerning Decisions on Appropriation of Retained Earnings, etc.

With respect to capital policy, the Company's basic policy is to adopt decisions that strike the optimum balance between ensuring internal reserves for the future growth of the HOYA Group and returning profits to shareholders, while pursuing the optimum capital structure for the Company that includes financial soundness and capital efficiency. In addition, by promoting management that gives priority to capital efficiency by realizing maximum profitability from the assets entrusted to the Company by the shareholders, and taking further steps toward management that gives priority to SVA (Shareholder Value Added), which is measured as the profit generated by the Company's operating activities minus the cost of capital, i.e. the profit expected by shareholders, the Company aim for "Maximization of Corporate Value."

With respect to internal reserves for future growth, resources will be preferentially appropriated to investment in the Life Care business field, which we have positioned as a growth business, for market share expansion, entry into untapped markets, and nurturing and obtaining new technologies. In addition to growth of existing businesses, the Company will also proactively pursue possibilities including mergers and acquisitions to further enrich our business portfolio and to speedily expand business operations. As for the Information Technology business field, which has been positioned as a steady earnings business, we will continue to make capital investment that further reinforce the technological abilities that become the source of competitiveness, and development investment that will contribute to developing next-generation technologies and new products.

With respect to returning profit to shareholders, the Company's policy is to proactively return profit to shareholders through using surplus funds for dividends and the acquisition of treasury shares while giving comprehensive consideration to the operating performance of the current term, level of internal reserves, and the medium to long term capital demands and capital structure, among other factors.

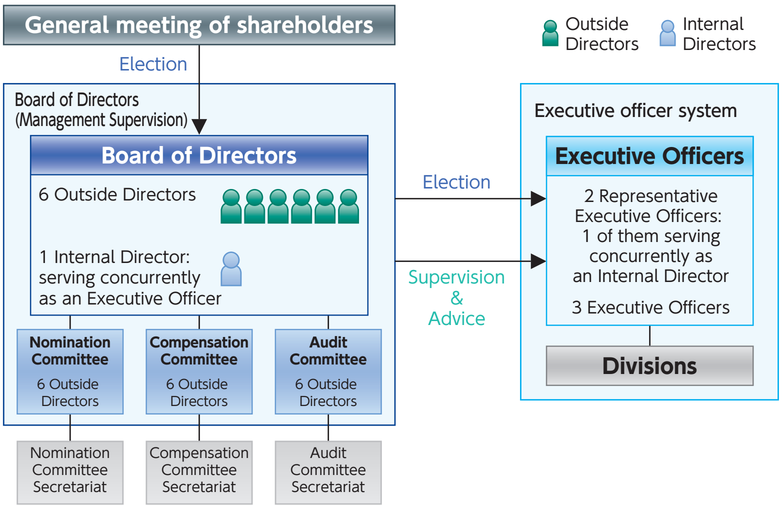
As a result of this thinking, during the fiscal year under review, the Company acquired 30 billion yen of treasury shares (following a resolution passed in May 2014, the acquisition of the shares was completed in August 2014, the acquired shares were retired in September). Coupled with the interim dividend of 30 yen per share already paid, the annual dividend will be 75 yen per share. The consolidated dividend payout ratio was 34%.

## Corporate Governance

HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management.

As the basis of taking a fair approach to stakeholders, we have adopted a "company with Nomination Committees, etc." structure simultaneously with the revision of the Companies Act, which enables us to better distinguish the execution and supervision of management to prevent management from being conducted based solely on in-house logic. We have also set forth in the Articles of Incorporation that the majority of Directors consist of Outside Directors, who actively supervise management by Executive Officers and provide advice in order to improve corporate value from an objective and broad perspective.

### Corporate Governance Structure




As of March 31, 2015

HOYA also gives Executive Officers the authority and responsibility for the execution of operations, in order to accelerate decision making and improve management efficiency.

HOYA has established HOYA Corporate Governance Guidelines at the meeting of the Board of Directors, and intends to enhance corporate governance structure and to introduce better governance systems by revising the guidelines.

Please see the HOYA Corporate Governance Guidelines at
http://www.hoya.com/csr/governance.html

### Board of Directors

HOYA's Board of Directors, in which Outside Directors comprise the majority of Board members (7 Directors, consisting of 6 Outside Directors and 1 Internal Director as of March 31, 2015), convene regular Board meetings 10 times a year as a general rule.

Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, with globally-minded Outside Directors with a wealth of management experience supervising the execution of operations by Executive Officers and providing them with advice from various angles. HOYA also works to obtain information as necessary on trends in legal changes and corporate governance by holding lectures by outside experts and through other means. HOYA also conducts self-assessment where a survey of the management by the Board of Directors is conducted once annually.

## Executive Officers

At HOYA, as of March 31, 2015, five persons - namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) in charge of Information Technology, Executive Officer and President of VISION CARE COMPANY, and Chief Legal Officer (CLO) and Head of Corporate Development and Affairs were nominated by the Nomination Committee as candidates for Executive Officers and elected at the meeting of the Board of Directors (CEO concurrently serves as Internal Director). Each of them oversees the execution of operations in their respective jurisdictions determined by the Board of Directors, and carries out decision-making in a speedy fashion. The Executive Officers instruct the headquarters staffs and responsible parties of the business divisions to establish and carry out specific measures based on the management policy determined by the Board of Directors. The Executive Officer responsible for the business segments receives progress reports from the parties responsible for each business at business reporting sessions held roughly on a monthly basis. The Executive Officer then gives reports and makes proposals on the segments he oversees at a meeting of the Board of Directors based on the progress reports he received. In addition to CEO who concurrently serves as Director, CFO and CLO attend each meeting of the Board of Directors.

## Committees

The Board of Directors has internal organizations, namely, “Nomination Committee,” “Compensation Committee” and “Audit Committee,” each of which consists solely of Outside Directors.

### Nomination Committee

The Nomination Committee, which is comprised of 6 Outside Directors, selects candidates for Directors based on the “Basis for Election of Candidates for Directors” and proposes the candidates to the General Meeting of Shareholders for voting. It also selects candidates for Executive Officers and the Representative Executive Officer, and proposes the candidates to the Board of Directors for voting. As necessary, it makes decisions to propose the dismissal of Directors to the General Meeting of Shareholders and the dismissal of Executive Officers to the Board of Directors for voting. The Committee sets out the criteria for independence of candidates for Directors, which is stricter than the rules by Tokyo Stock Exchange so that a function of overseeing Executive Officers required to outside Directors is secured. The criteria of the independence of candidates for Outside Directors are described on the page 17 of the Reference Material.

### Compensation Committee

The Compensation Committee, which is comprised of 6 Outside Directors, builds a remuneration structure that gives more incentives to Directors and Executive Officers and assesses their work in an appropriate manner, with the aim to help improve HOYA’s business performance. The Compensation Committee determines the remuneration of Directors and Executive Officers on an individual basis. The policy of Compensation Committee is shown in page 54.

### Audit Committee

The Audit Committee, which is comprised of 6 Outside Directors, formulates the audit policies and audit plans for each fiscal year, and verifies financial statements, etc. based on the quarterly reports and year-end reports received from the Independent Auditor according to such policies and plans. It also interviews the Internal Audit Department to obtain the results of operational audits, and verifies the soundness, legality, efficiency, etc. of management. All important matters are reported to the Board of Directors, and countermeasures are taken as necessary.

## Consolidated Statement of Financial Position

(As of March 31, 2015)

(Millions of yen)

| Item | Amount |
|---|---|
| **ASSETS** | |
| **Non-current assets:** | **180,166** |
| Property, plant and equipment–net | 128,191 |
| Goodwill | 9,970 |
| Intangible assets | 19,661 |
| Investments in associates | 186 |
| Long-term financial assets | 7,037 |
| Other non-current assets | 3,020 |
| Deferred tax assets | 12,102 |
| **Current assets:** | **553,566** |
| Inventories | 68,925 |
| Trade and other receivables | 99,198 |
| Other short-term financial assets | 20,071 |
| Income tax receivables | 312 |
| Other current assets | 16,241 |
| Cash and cash equivalents | 348,819 |
| **Total assets** | **733,732** |

| Item | Amount |
|---|---|
| **EQUITY AND LIABILITIES** | |
| **EQUITY** | |
| **Equity attributable to owners of the Company:** | **590,014** |
| Share capital | 6,264 |
| Capital reserves | 15,899 |
| Treasury shares | (5,932) |
| Other capital reserves | (3,736) |
| Retained earnings | 547,162 |
| Accumulated other comprehensive income | 30,357 |
| **Non-controlling interests** | **6,081** |
| **Total equity** | **596,095** |
| **LIABILITIES** | |
| **Non-current liabilities:** | **43,770** |
| Interest-bearing long-term debt | 35,528 |
| Other long-term financial liabilities | 667 |
| Retirement benefits liabilities | 2,098 |
| Provisions | 2,262 |
| Other non-current liabilities | 1,010 |
| Deferred tax liabilities | 2,205 |
| **Current liabilities:** | **93,867** |
| Interest-bearing short-term debt | 2,033 |
| Trade and other payables | 41,247 |
| Other short-term financial liabilities | 2,896 |
| Income tax payables | 10,913 |
| Provisions | 1,063 |
| Other current liabilities | 35,716 |
| **Total liabilities** | **137,637** |
| **Total equity and liabilities** | **733,732** |

## Consolidated Statement of Comprehensive Income

(From April 1, 2014, to March 31, 2015)

(Millions of yen)

| Item | Amount | |
|---|---|---|
| **Continuing operations** | | |
| **Revenue:** | | |
| Sales | 489,961 | |
| Finance income | 2,296 | |
| Other income | 3,476 | **495,733** |
| **Expenses:** | | |
| Changes in inventories of goods, products and work in progress | (479) | |
| Raw materials and consumables used | 91,862 | |
| Employee benefits expense | 115,218 | |
| Depreciation and amortization | 34,852 | |
| Subcontracting cost | 6,317 | |
| Advertising and promotion expense | 12,363 | |
| Commission expense | 23,521 | |
| Impairment losses | 286 | |
| Finance costs | 1,209 | |
| Share of loss of associates | 10 | |
| Foreign exchange (gain)/loss | (11,840) | |
| Other expenses | 104,165 | **377,484** |
| **Profit before tax** | | **118,249** |
| Income tax expense | | 25,308 |
| **Profit for the year from continuing operations** | | **92,941** |
| **Profit for the year** | | **92,941** |
| **Other comprehensive income:** | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Remeasurements of the net defined benefit liability (asset) | (206) | |
| Income tax relating to components of other comprehensive income | 39 | **(167)** |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Net gain/(loss) on revaluation of available-for-sale financial assets | (698) | |
| Exchange differences on translation of foreign operations | 21,272 | |
| Income tax relating to components of other comprehensive income | (236) | **20,339** |
| **Other comprehensive income** | | **20,172** |
| **Total comprehensive income for the year** | | **113,112** |
| **Profit attributable to:** | | |
| Owners of the Company | 92,804 | |
| Non-controlling interests | 137 | **92,941** |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | 113,144 | |
| Non-controlling interests | (32) | **113,112** |

## Consolidated Statement of Changes in Equity (From April 1, 2014, to March 31, 2015)

(Millions of yen)

| | Share capital | Capital reserves | Treasury shares | Other capital reserves | Retained earnings |
|---|---|---|---|---|---|
| Balance at April 1, 2014 | 6,264 | 15,899 | (8,890) | (2,839) | 516,243 |
| Comprehensive income/(loss) for the year | | | | | |
| Profit for the year | | | | | 92,804 |
| Other comprehensive income/(loss) | | | | | |
| Total comprehensive income/(loss) for the year | | | | | 92,804 |
| Transactions with owners | | | | | |
| Contributions by and distributions to owners | | | | | |
| Acquisition of treasury shares | | | (30,005) | (30) | |
| Disposal of treasury shares | | | 3,390 | (1,253) | |
| Cancellation of treasury shares | | | 29,573 | | (29,573) |
| Dividends, 75 Yen per share | | | | | (32,145) |
| Share-based payments (Stock option) | | | | 386 | |
| Transfer to retained earnings | | | | | (167) |
| Total contributions by and distributions to owners | | | 2,958 | (897) | (61,885) |
| Total transactions with owners | — | — | 2,958 | (897) | (61,885) |
| Balance at March 31, 2015 | 6,264 | 15,899 | (5,932) | (3,736) | 547,162 |

| | Net gain/(loss) on revaluation of available-for-sale financial assets | Exchange differences on translation of foreign operation | Remeasurements of the net defined benefit liability (asset) | Accumulated other comprehensive income/(loss) | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| Balance at April 1, 2014 | 442 | 9,408 | — | 9,850 | 536,526 | 6,121 | 542,648 |
| Comprehensive income/(loss) for the year | | | | | | | |
| Profit for the year | | | | | 92,804 | 137 | 92,941 |
| Other comprehensive income/(loss) | (449) | 20,956 | (167) | 20,340 | 20,340 | (168) | 20,172 |
| Total comprehensive income/(loss) for the year | (449) | 20,956 | (167) | 20,340 | 113,144 | (32) | 113,112 |
| Transactions with owners | | | | | | | |
| Contributions by and distributions to owners | | | | | | | |
| Acquisition of treasury shares | | | | | (30,035) | | (30,035) |
| Disposal of treasury shares | | | | | 2,137 | | 2,137 |
| Cancellation of treasury shares | | | | | — | | — |
| Dividends, 75 Yen per share | | | | | (32,145) | (9) | (32,154) |
| Share-based payments (Stock option) | | | | | 386 | | 386 |
| Transfer to retained earnings | | | 167 | 167 | — | | — |
| Total contributions by and distributions to owners | | | 167 | 167 | (59,657) | (9) | (59,665) |
| Total transactions with owners | — | — | 167 | 167 | (59,657) | (9) | (59,665) |
| Balance at March 31, 2015 | (7) | 30,364 | — | 30,357 | 590,014 | 6,081 | 596,095 |

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 13, 2015

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takashi Nagata

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yoshiaki Hatori

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Ichiro Sakamoto

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2015 of HOYA CORPORATION (the "Company") and its consolidated subsidiaries, and the consolidated statement of comprehensive income, statement of changes in equity for the fiscal year from April 1, 2014 to March 31, 2015, and the related notes.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion**

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2015, and the results of their operations for the year then ended.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

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## Non-consolidated Balance Sheet

(As of March 31, 2015)

(Millions of yen)

| Item | Amount | Item | Amount |
|---|---|---|---|
| (Assets) | | (Liabilities) | |
| **Current assets** | **133,877** | **Current liabilities** | **46,965** |
| Cash and deposits | 62,297 | Notes payable - trade | 33 |
| Notes receivable - trade | 2,706 | Electronically recorded obligations - operating | 5,154 |
| Accounts receivable - trade | 29,172 | Accounts payable - trade | 14,591 |
| Merchandise and finished products | 9,591 | Accounts payable - other | 6,814 |
| Work in process | 2,399 | Accrued expenses | 3,863 |
| Raw materials and supplies | 3,311 | Accrued income taxes | 6,051 |
| Deferred tax assets | 3,483 | Advances received | 289 |
| Short-term loans to subsidiaries and affiliates | 2,305 | Deposits received | 3,129 |
| Current portion of long-term loans to subsidiaries and affiliates | 8,500 | Accrued bonuses to employees | 4,048 |
| Accounts receivable - other | 6,692 | Warranties provision | 146 |
| Others | 3,693 | Others | 2,846 |
| Allowance for doubtful accounts | (271) | **Long-term liabilities** | **37,199** |
| **Non-current assets** | **118,742** | Bonds | 34,998 |
| **Property, plant and equipment** | **24,847** | Reserve for periodic repairs | 725 |
| Buildings | 7,430 | Asset retirement obligations | 1,209 |
| Structures | 364 | Others | 267 |
| Melting furnaces | 126 | **Total liabilities** | **84,164** |
| Machinery and equipment | 2,555 | **(Net assets)** | |
| Vehicles | 5 | **Shareholders' equity:** | **166,644** |
| Tools, equipment and fixtures | 7,970 | **Share capital** | **6,264** |
| Land | 6,108 | **Capital reserve** | **15,899** |
| Construction in progress | 288 | Additional paid-in capital | 15,899 |
| **Intangible assets** | **3,133** | **Retained earnings** | **150,413** |
| Patents | 597 | Legal reserve | 1,566 |
| Technology | 1,223 | Other retained earnings | 148,847 |
| Software | 1,102 | Reserve for special depreciation | 0 |
| Others | 211 | Reserve for advanced depreciation of fixed assets | 163 |
| **Investments and other assets** | **90,763** | Unappropriated Retained earnings | 148,684 |
| Investment securities | 515 | **Treasury shares - at cost** | **(5,932)** |
| Equity securities of subsidiaries and affiliates | 77,416 | **Valuation and translation adjustments** | **(8)** |
| Investments in capital | 2 | Unrealized gain on available-for-sale securities | (8) |
| Investments in subsidiaries and affiliates | 6,641 | **Stock acquisition rights** | **1,819** |
| Claims in bankruptcy | 437 | | |
| Long-term prepaid expenses | 303 | | |
| Deferred tax assets | 1,822 | | |
| Others | 5,329 | | |
| Allowance for doubtful accounts | (1,702) | **Total net assets** | **168,455** |
| **Total assets** | **252,620** | **Total liabilities and net assets** | **252,620** |

## Non-consolidated Statement of income

(From April 1, 2014, to March 31, 2015)

(Millions of yen)

| Item | Amount | |
|---|---|---|
| **Net sales** | | **175,332** |
| **Cost of sales** | | **101,953** |
| **Gross profit** | | **73,380** |
| **Selling, general and administrative expenses** | | **56,569** |
| **Operating income** | | **16,811** |
| **Non-operating income** | | |
| Interest income | 325 | |
| Dividend income | 12,287 | |
| Commission received | 9,043 | |
| Foreign exchange gain | 2,909 | |
| Others | 474 | **25,039** |
| **Non-operating expenses** | | |
| Interest expense | 17 | |
| Interest on bonds | 866 | |
| Others | 76 | **959** |
| **Ordinary income** | | **40,891** |
| **Extraordinary income** | | |
| Gain on sales of property, plant and equipment | 422 | |
| Gain on sales of investment securities | 835 | |
| Gain on reversal of stock acquisition rights | 51 | |
| Compensation for transfer | 240 | |
| Insurance income | 195 | |
| Others | 2 | **1,745** |
| **Extraordinary losses** | | |
| Loss on sales of fixed assets | 7 | |
| Loss on disposal of fixed assets | 280 | |
| Severance payments | 2,006 | |
| Building dismantlement expenses | 345 | |
| Others | 229 | **2,867** |
| **Profit before income taxes** | | **39,769** |
| Income taxes - current | 9,492 | |
| Income taxes - deferred | 843 | **10,335** |
| **Profit for the year** | | **29,433** |

## Non-consolidated Statement of Changes in Net Assets

(From April 1, 2014, to March 31, 2015)

(Millions of yen)

| | Shareholders' equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Capital reserve | | Retained earnings | | | | |
| | | | | | Other retained earnings | | | |
| | Share capital | Additional paid-in capital | Total capital surplus | Legal reserve | Reserve for special depreciation | Reserve for advanced depreciation of fixed assets | Unappropri-ated retained earnings | Total retained earnings |
| Balance as of April 1, 2014 | 6,264 | 15,899 | 15,899 | 1,566 | 11 | 169 | 181,692 | 183,439 |
| Changes during the current fiscal year | | | | | | | | |
| Reversal of reserve for special depreciation | | | | | (11) | | 11 | — |
| Increase in reserve for special depreciation due to tax rate change | | | | | 0 | | (0) | — |
| Reversal of reserve for advanced depreciation of fixed assets | | | | | | (14) | 14 | — |
| Increase in reserve for advanced depreciation of fixed assets due to tax rate change | | | | | | 8 | (8) | — |
| Dividends from retained earnings | | | | | | | (32,145) | (32,145) |
| Profit for the year | | | | | | | 29,433 | 29,433 |
| Acquisition of treasury shares | | | | | | | | |
| Disposal of treasury shares | | | | | | | (741) | (741) |
| Cancellation of treasury shares | | | | | | | (29,573) | (29,573) |
| Changes in items other than shareholders' equity during the current fiscal year - net | | | | | | | | |
| Total changes during the current fiscal year | — | — | — | — | (11) | (6) | (33,008) | (33,025) |
| Balance as of March 31, 2015 | 6,264 | 15,899 | 15,899 | 1,566 | 0 | 163 | 148,684 | 150,413 |

| | Shareholders' equity | | Valuation and translation adjustments | | Stock acquisition rights | Total net assets |
|---|---|---|---|---|---|---|
| | Treasury shares - at cost | Total shareholders' equity | Unrealized gain on available-for-sale securities | Total valuation and translation adjustments | | |
| Balance as of April 1, 2014 | (8,890) | 196,711 | 437 | 437 | 1,996 | 199,144 |
| Changes during the current fiscal year | | | | | | |
| Reversal of reserve for special depreciation | | — | | | | — |
| Increase in reserve for special depreciation due to tax rate change | | — | | | | — |
| Reversal of reserve for advanced depreciation of fixed assets | | — | | | | — |
| Increase in reserve for advanced depreciation of fixed assets due to tax rate change | | — | | | | — |
| Dividends from retained earnings | | (32,145) | | | | (32,145) |
| Profit for the year | | 29,433 | | | | 29,433 |
| Acquisition of treasury shares | (30,005) | (30,005) | | | | (30,005) |
| Disposal of treasury shares | 3,390 | 2,649 | | | | 2,649 |
| Cancellation of treasury shares | 29,573 | — | | | | — |
| Changes in items other than shareholders' equity during the current fiscal year - net | | | (445) | (445) | (177) | (622) |
| Total changes during the current fiscal year | 2,958 | (30,067) | (445) | (445) | (177) | (30,689) |
| Balance as of March 31, 2015 | (5,932) | 166,644 | (8) | (8) | 1,819 | 168,455 |

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 13, 2015

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takashi Nagata

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yoshiaki Hatori

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Ichiro Sakamoto

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of March 31, 2015 of HOYA CORPORATION (the "Company"), and the related non-consolidated statements of income and changes in net assets for the 77th fiscal year from April 1, 2014 to March 31, 2015, and the related notes and the accompanying supplemental schedules.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion**

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2015, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

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# AUDIT REPORT

The members of the Audit Committee of the Company audited the performance of the Directors and Executive Officers of their duties during the 77th fiscal year from April 1, 2014 to March 31, 2015. We hereby report the method and results thereof:

1. AUDIT METHOD AND ITS CONTENTS

We received periodic reports from the Directors, Executive Officers and others concerning the state of construction and management of the system (internal control system) established in accordance with the resolutions of the Board of Directors concerning matters provided for in (b) and (e) of first item, first paragraph, Article 416 of the Companies Act that are applied effective the 77th fiscal year, requested explanations and expressed its opinions as necessary. In addition, we attended important meetings, received reports from Directors, Executive Officers and others on matters concerning the performance of their duties, requested explanations whenever necessary, inspected documentation of important decisions, etc. and investigated the state of activities and assets at the head office and major business offices of the Company in accordance with the audit policy and the assignment of duties, etc. established by the Audit Committee and in collaboration with the audit department of the Company.

Regarding internal controls over financial reports, we received reports on the evaluation of the internal controls and the state of audits from Executive Officers and others, as well as Deloitte Touche Tohmatsu LLC, and requested explanations as necessary.

With respect to subsidiaries, we communicated and exchanged information with directors and auditors thereof, and received business reports from the subsidiaries whenever necessary.

We also monitored the Company's Independent Auditors to verify that they maintained a position of independence and conducted proper audits. We received reports from the Independent Auditors on the state of execution of their duties, and asked them for explanations whenever necessary. Additionally, we received from the Independent Auditors a letter that they were taking steps to build the System for Ensuring Adequate Execution of Duties (pursuant to the items of Article 131 of the Ordinance for Companies Accounting) in accordance with the Standards for Quality Control of Audit (Business Accounting Council, October 28, 2005), and asked the Independent Auditors for explanations whenever necessary.

Based on the method described above, we examined the business report, financial statements (consisting of the balance sheet, statement of income, statement of changes in total equity, and notes to financial statements), their supplementary schedules, and consolidated financial statements (consisting of the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, and notes to consolidated financial statements, prepared by omitting certain items required to be disclosed by the International Financial Reporting Standards and pursuant to the provisions of the latter part of first paragraph, Article 120 of the Ordinance for Companies Accounting) for the current fiscal year.

2. AUDIT RESULTS

(1) Results of the audit of the business report, etc.

A. We are of the opinion that the business report and its supplementary schedules fairly present the state of the Company in accordance with laws, ordinances and the Articles of Incorporation

B. We are of the opinion that, in connection with the performance by the Directors or Executive Officers of their duties, no dishonest act or material fact of violation of laws, ordinances or the Articles of Incorporation exists.

C. We are of the opinion that the resolution of the Board of Directors concerning the internal control system that is applied effective the 77th fiscal year was reasonable. We are also of the opinion that, in connection with the descriptions in the Business Report or the performance by the Directors or Executive Officers of their duties concerning said internal control system, no matter that needs to be pointed out exists, and that the resolutions of the Board of Directors concerning the internal control system dated March 26 and May 12, 2015 were reasonable.

(2) Results of the audit of the financial statements and their supplementary schedules

We are of the opinion that the method and results of the audit made by Deloitte Touche Tohmatsu LLC, the Company's Independent Auditors, are in order.

(3) Results of the audit of the consolidated financial statements

We are of the opinion that the method and results of the audit made by Deloitte Touche Tohmatsu LLC, the Company's Independent Auditors, are in order.

May 20, 2015

Audit Committee
HOYA CORPORATION

| | |
|---|---|
| Yukiharu Kodama | Member of the Audit Committee |
| Itaru Koeda | Member of the Audit Committee |
| Yutaka Aso | Member of the Audit Committee |
| Yukako Uchinaga | Member of the Audit Committee |
| Mitsudo Urano | Member of the Audit Committee |
| Takeo Takasu | Member of the Audit Committee |

Note: The Members of the Audit Committee, Yukiharu Kodama, Itaru Koeda, Yutaka Aso, Yukako Uchinaga, Mitsudo Urano and Takeo Takasu are outside directors as provided in the 15th item, Article 2 and third paragraph, Article 400 of the Companies Act.

# Notice

## Notice concerning online disclosure of HOYA Report

In order for shareholders to better understand our business activities, HOYA CORPORATION discloses the HOYA Report online.
The HOYA Report (Business Review 2015) will be available at our website around August. We hope you will find the Report useful.

## Notice concerning report of resolutions and results of exercise of voting rights at the Ordinary General Meeting of Shareholders

HOYA CORPORATION will disclose the resolutions along with the results of exercise of voting rights on our website.
Our Website: http://www.hoya.co.jp/english/

Shareholders' Memo

| | | |
|---|---|---|
| **Business year:** | From April 1 every year to March 31 of the following year | |
| **Date to determine shareholders who are entitled to receive year-end dividend payments:** | March 31 | |
| **Date to determine shareholders who are entitled to receive interim dividend payments:** | September 30 | |
| **Ordinary General Meetings of Shareholders:** | June every year | |
| **Transfer agent Account management institution for the special accounts:** | Mitsubishi UFJ Trust and Banking Corporation | |
| **Contact:** | Corporate Agency Division<br>Mitsubishi UFJ Trust and Banking Corporation<br>7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan<br>Toll free phone: 0120-232-711 | |
| **Market:** | The Tokyo Stock Exchange | |
| **Method for public notice:** | Electronic Public Notice<br>URL for the notice: http://www.hoya.co.jp/<br>(However, if the Company is unable to publish public notices by electronic means because of an accident or any other unavoidable event, public notices shall be published in the *Nihon Keizai Shimbun*.) | |

# Internet Disclosure Accompanying the Notice of the 77th Ordinary General Meeting of Shareholders

Consolidated Statement of Cash Flows (Reference information, Unaudited)

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(From April 1, 2014 to March 31, 2015)

## (Reference information) **Consolidated Statement of Cash Flows (Unaudited)**

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

| | Amount |
|---|---|
| **Cash flows from operating activities** | |
| Profit before tax | 118,249 |
| Depreciation and amortization | 34,852 |
| Impairment losses | 286 |
| Finance income | (2,296) |
| Finance costs | 1,209 |
| Share of losses of associates | 10 |
| Gain on sales of property, plant and equipment | (612) |
| Loss on disposal of property, plant and equipment | 282 |
| Foreign exchange gain | (12,559) |
| Others | 4,776 |
| **Cash generated from operations (before movements in working capital)** | **144,196** |
| Movements in working capital | |
| Increase in inventories | (701) |
| Increase in trade and other receivables | (736) |
| Decrease in trade and other payables | (314) |
| Decrease in retirement benefits liabilities and provisions | (349) |
| Sub-total | 142,095 |
| Interests received | 1,399 |
| Dividends received | 53 |
| Interests paid | (1,001) |
| Income taxes paid | (27,354) |
| Income taxes refunded | 187 |
| **Net cash generated from operating activities** | **115,380** |
| **Cash flows from investing activities** | |
| Withdrawals of time deposit | 14,082 |
| Deposits for time deposit | (14,988) |
| Proceeds from sales of property, plant and equipment | 2,118 |
| Payments for acquisition of property, plant and equipment | (18,385) |
| Proceeds from sales of investment | 1,920 |
| Payments for purchase of investment | (58) |
| Payments for purchase of subsidiary | (281) |
| Payments to non-controlling interests on merger | (2) |
| Payments for business transfer | (1,855) |
| Payments for loan to affiliates | (8,500) |
| Other proceeds | 611 |
| Other payments | (2,050) |
| **Net cash used in investing activities** | **(27,387)** |
| **Cash flows from financing activities** | |
| Dividends paid to owners of the Company | (32,103) |
| Dividends paid to non-controlling interests | (9) |
| Decrease in short-term debt | (215) |
| Repayments of long-term borrowings | (578) |
| Payments for redemption of bonds | (25,126) |
| Proceeds from disposal of treasury shares | 0 |
| Payments for purchase of treasury shares | (30,035) |
| Proceeds from exercise of stock options | 2,137 |
| **Net cash used in financing activities** | **(85,929)** |
| **Net increase in cash and cash equivalents** | **2,064** |
| **Cash and cash equivalents at the beginning of the year** | **331,094** |
| **Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies** | **15,662** |
| **Cash and cash equivalents at the end of the year** | **348,819** |

(Notes)

1. Numbers in parentheses ( ) in the consolidated statement of cash flows are outflows of cash and cash equivalents.
2. Figures above are rounded off to the nearest unit.

## Notes to the Consolidated Financial Statements

**Important items for the preparation of the consolidated financial statements**

**1. Preparation of consolidated financial statements**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards with some omissions of a part of disclosures pursuant to the second sentence of the first paragraph of Article 120 of the Ordinance on Companies Accounting.

**2. Basis of consolidation**

| | |
|---|---|
| Number of consolidated subsidiaries | 118 companies |
| Names of significant consolidated subsidiaries | HOYA HOLDINGS, INC. |
| | HOYA HOLDINGS N.V. |
| | HOYA HOLDINGS (ASIA) B.V. |
| | HOYA HOLDINGS ASIA PACIFIC PTE LTD. |
| | During the fiscal year, two companies were newly established and one company was acquired, while four companies were decreased through mergers and two companies were liquidated. As a consequence, the number of consolidated companies decreased by three. |

**3. Application of the equity method**

| | |
|---|---|
| Number of associates accounted for by the equity method | 3 companies |
| Name of significant associates | AvanStrate Inc. |

**4. Items related to accounting policies**

**(1) Basis and method of evaluation of financial assets**

Financial assets are classified into "financial assets at fair value through profit or loss (FVTPL)," "held-to-maturity investments," "loans and receivables," or "available-for-sale financial assets." However, the Company and its subsidiaries (the "Group") do not hold financial assets classified as "held-to-maturity investments."

1) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The Group uses forward exchange contracts to manage the foreign exchange exposure of recognized financial assets or liabilities, or future firm transactions. Hedge accounting does not apply to these derivative transactions. Accordingly, derivative financial instruments are classified as at FVTPL.

2) Financial assets other than derivative financial instruments

A. Loans and receivables

Trade receivables, loans, and other receivables that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Principally interest income is recognized by applying the effective interest rate.

B. Available-for-sale financial assets

Financial assets other than derivatives, either designated as available-for-sale financial assets, or not classified as at FVTPL, held-to-maturity investments or loans and receivables, are classified as available-for-sale financial assets. Listed available-for-sale equity investments that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Group also has investments in unlisted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value using valuation techniques. Gains and losses arising from changes in fair value are recognized in other comprehensive income with the exception of impairment losses and foreign exchange gains and losses on monetary assets being recognized in profit or loss.

3) Impairment of financial assets

Financial assets, other than at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as available-for-sale financial assets and finance lease receivables, objective evidence of impairment could include:

(a) significant financial difficulties of the debtor;

(b) default or delinquency in interest or principal payments; or

(c) a high probability that the borrower will go into bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable, including past-due receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. With the exception of available-for-sale financial assets (equity instruments), if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment after the impairment is reversed does not exceed the amount the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale financial assets (equity instruments), impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

**(2) Basis and method of evaluation of inventories**

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for the inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Costs, including purchase costs, process costs, storage costs and all other costs incurred in bringing the inventories to present location and condition, are assigned to inventories mainly by the average method. The production costs include an appropriate portion of fixed and variable overhead expenses.

**(3) Basis and method of evaluation of property, plant and equipment and intangible assets (other than goodwill), depreciation and amortization**

1) Property, plant and equipment

The Group applies the cost model for measuring property, plant and equipment.

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment losses. Cost includes the expenses directly attributable to the assets, the initial estimated costs relating to scrap, removal and retirement, and, for qualifying assets,

the borrowing cost for long-term project. Depreciation of these assets commences when the assets are available for their intended use.
When significant components of property, plant and equipment are required to be replaced periodically, the Group recognizes such parts as individual assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.
Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

| | |
|---|---|
| Buildings and structures | 3-50 years |
| Machinery and carriers | 2-10 years |
| Tools, equipment and fixtures | 2-10 years |

Leased assets are depreciated over their estimated useful lives where the transfer of the title of the assets is certain by the end of the lease term. Leased assets where the transfer of the title of the assets is not certain by the end of the lease term are depreciated over the shorter of their estimated useful lives or their lease terms.

2) Intangible assets

The Group uses the cost model for measuring intangible assets. Intangible assets are carried at cost less accumulated amortization and impairment losses.

A. Intangible assets acquired separately and/or acquired in a business combination

Intangible assets acquired separately are carried at cost at the initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill at their fair value at the acquisition date, when they are satisfied with the definition of intangible assets, identifiable, and their fair value is reasonably measured.

B. Internally-generated intangible assets - research and development expenses

Expenditures on research activities are recognized as expense in the period in which they are incurred.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet all of the recognition criteria listed above. The assets are amortized over the estimated period in which the development costs are expected to be recovered. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and impairment losses.
Where no internally-generated intangible asset can be recognized, development costs are recognized as expense in the period in which they are incurred.

C. Amortization of intangible assets

Amortization is recognized on a straight-line basis over the estimated useful lives below. The Group does not have any intangible assets with indefinite useful lives.

| | |
|---|---|
| Patents | 7-12 years |
| Technology | 10-20 years |
| Customer related assets | 5-15 years |
| Software | 3-5 years |

3) Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered impairment losses. If any indications exist, the recoverable amount of the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

**(4) Goodwill**

Goodwill arising in an acquisition of business is recognized as an asset at the date that control is acquired (i.e. the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the acquisition-date amounts of the net fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is reviewed for impairment at least annually. Goodwill is recorded at cost less accumulated impairment losses on the consolidated statement of financial position.
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill are not reversed in subsequent periods. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**(5) Method of accounting for significant provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation by outflow of resources embodying economic benefits, and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period (i.e. future cash outflow), taking into account the risks and uncertainties surrounding the obligation.

Where time value of money is material, a provision is measured by its present value to which estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the obligation. Interest cost associated with the passage of time is recognized as finance cost.

The types of provisions are as follows:

1) Asset retirement obligation

The Group recognizes provisions for an asset retirement obligation reserve for estimated costs arising from a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, and estimated costs to decontaminate certain fixed assets. An asset retirement obligation is provided based on past experience of actual cost and considers each asset individually. The discount rate depends on the useful life of the corresponding assets and the country in which such assets are located. Future expected timing of outflow of economic benefits is mainly more than one year from each reporting period.

2) Warranties provision

Warranties provision is estimated and recognized based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period. Expected outflow of economic benefits in the future is within one year from each reporting period.

3) Contingent liabilities assumed in a business combination

Contingent liabilities resulting from a business combination are initially measured at fair value at the date of acquisition. Subsequent to initial recognition, such contingent liabilities are remeasured considering expected future payments, possible occurrence and timing of payments at each reporting period.

**(6) Method of accounting for retirement benefits**

For defined benefit plans, the cost of providing retirement benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (other than interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

Service cost, including current service cost, past service cost, as well as gains or losses on curtailments and settlements

Net interest expense or income

Remeasurement

The Group presents the first two components of defined benefit cost in profit or loss as “Employee benefits expense” or “Finance cost.”

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service to the Group.

**(7) Basis for translation of assets and liabilities denominated in foreign currencies**

1) Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (i.e. its functional currency). For the purpose of the consolidated financial statements, the financial results, financial position and cash flows of each group entity are presented in Japanese Yen, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognized in profit or loss during the period.

2) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese Yen at the foreign exchange rates prevailing at the end of reporting period. The revenues and expenses of foreign operations are translated into Japanese Yen at the average rates of exchange for the year. Where there are material fluctuations in exchange rates, the exchange rate at the transaction date is used. Foreign exchange differences arising from translation are initially recognized as exchange differences on translation of foreign operations in other comprehensive income and accumulated in “accumulated other comprehensive income,” which are reclassified from equity to profit or loss on disposal of the net investment and included in “other expenses” in the consolidated statement of comprehensive income.

**(8) Method of accounting for national and local consumption tax**

The tax-excluded method is applied, and non-deductible tax is recognized as an expense.

**Notes to the Consolidated Statement of Financial Position**

1. Assets provided as collateral and related liabilities

| | |
|---|---|
| Assets provided as collateral | |
| Buildings | ¥34 million |
| Machinery and carriers | ¥22 million |
| Related liabilities | |
| Interest-bearing short-term debt | ¥4 million |
| Interest-bearing long-term debt | ¥35 million |

In addition to the above, Buildings in the amount of ¥57 million and Land in the amount of ¥1 million were provided as collateral for the conditional obligation in the amount of ¥91 million associated with the government grant.

2. Allowance for doubtful accounts directly deducted from assets

| | |
|---|---|
| Trade and other receivables | ¥2,421 million |
| Long-term financial assets | ¥956 million |

3. Accumulated depreciation of property, plant and equipment

| | |
|---|---|
| Property, plant and equipment - net | ¥349,263 million |

Accumulated depreciation includes impairment losses of property, plant and equipment.

4. Contingent liabilities

The Group provides guarantees on borrowings of business partners from financial institutions.

| | |
|---|---|
| Guarantee liabilities | ¥135 million |

5. Other current assets

On June 26, 2013, the Company received a reassessment notice for additional tax on the transfer pricing taxation in transactions with overseas subsidiaries that develop and manufacture electronics related products, for the five financial years ended March 31, 2007 to March 31, 2011 from the Tokyo Regional Taxation Bureau (“TRTB”). The additional tax assessment was ¥8,419 million. The Company was required to pay ¥3,309 million due to the existence of net operating losses carried forward with respect to the indicated financial years and paid it in the year ended March 31, 2014. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law. Consequently ¥8,419 million is included in “Other current assets” as suspense payment.

**Notes to the Consolidated Statement of Comprehensive Income**

Reclassification adjustments and tax effects related to other comprehensive income

(1) Remeasurements of the net defined benefit liability (asset)

| | |
|---|---|
| Gains arising during the year | ¥ (206) million |
| Tax-effect adjustment | ¥ 39 million |
| Total | ¥ (167) million |

(2) Net gains or losses on revaluation of available-for-sale financial assets

| | |
|---|---|
| Gains arising during the year | ¥ 59 million |
| Reclassification adjustments | ¥(757) million |
| Total amount before tax-effect adjustment | ¥ (698) million |
| Tax-effect adjustment | ¥ 245 million |
| Total | ¥ (453) million |

(3) Exchange differences on translation of foreign operations

| | |
|---|---|
| Gains arising during the year | ¥ 19,061 million |
| Reclassification adjustments | ¥ 2,212 million |
| Total amount before tax-effect adjustment | ¥21,272 million |
| Tax-effect adjustment | ¥ (480) million |
| Total | ¥ 20,792 million |
| Total other comprehensive income | ¥ 20,172 million |

**Notes to the Consolidated Statement of Changes in Equity**

1. Type and number of issued shares as at March 31, 2015

Ordinary shares 425,782,920 shares

2. Dividend-related items

(1) Dividends paid

1) Dividends resolved by the Board of Directors on May 21, 2014

・Total dividends ¥19,444 million
・Dividends per share ¥45
・Record date March 31, 2014
・Effective date May 29, 2014

2) Dividends resolved by the Board of Directors on October 30, 2014

・Total dividends ¥12,700 million
・Dividends per share ¥30
・Record date September 30, 2014
・Effective date November 28, 2014

(2) Dividends whose record date belongs to this fiscal year but effective date belongs to the next fiscal year

Dividends resolved by the Board of Directors on May 21, 2015

・Total dividends ¥19,077 million
・Source of payment Retained earnings
・Dividends per share ¥45
・Record date March 31, 2015
・Effective date June 1, 2015

3. Type and equivalent number of shares resulting from the potential exercise of stock acquisition rights outstanding at the end of the fiscal year (excluding the rights whose exercise period has not yet commenced)

Ordinary shares 2,584,000 shares

**Notes concerning financial instruments**

1. Items concerning financial instruments

(1) Market risks

1) Foreign currency risk

The Group intends to marry major currencies the Group uses (Euro, US dollar and Japanese Yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. On the other hand, the Company having multiple strategic business units ("SBUs") and conducting finance and dividend, and holding companies receiving dividends from their subsidiaries and distributing them to the Company and/or other group companies, sometimes fall into disparity of foreign currency debt-credit balances in receivables, liabilities and/or bank deposits. This might cause significant gains or losses on foreign exchange differences when the Yen appreciates or depreciates against the US dollar or the Euro, or when the Euro appreciates or depreciates against the US dollar.

The Group's policy generally does not permit the use of derivative instruments such as forward foreign exchange contracts. However, in certain circumstances in which the use of such derivatives is determined to be beneficial, the Group can enter into contracts upon obtaining a formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its group headquarters approval process. For instance, in order to economically hedge foreign currency exposures on intercompany receivables, payables and dividends, the Company occasionally enters into forward foreign exchange contracts.

2) Interest rate risk

The majority of the interest-bearing debt consists of bonds with fixed interest rates.

3) Price risk in equity instruments

The Group is exposed to equity price risks arising from equity instruments (i.e., listed shares). These investments are held from a viewpoint of business strategy, not for short-term trading purpose. The Group does not sell these investments frequently and the Group periodically reviews the fair value of these instruments as well as the financial condition of investees.

(2) Credit and liquidity risks

The Group manages its credit risk by setting credit limits which are approved by the authorized personnel of each SBU.

Ultimate responsibility for liquidity risk management rests with the CFO of the Group who is appointed by the Board of Directors. Based on the instructions from the CFO, the financial headquarters of the Group mainly manages the Group's liquidity risk by maintaining an appropriate level of retained earnings and credit facilities, and monitors the actual cash flows and forecasted cash flows. Temporary cash shortages due to dividends or bonus payments are funded through the issuance of commercial paper, etc.

2. Notes concerning fair value of financial instruments

As of March 31, 2015 (the end of the fiscal year), the carrying amount of financial instruments in the consolidated statement of financial position, the fair values of those instruments, and the differences were as follows.

(Millions of yen)

| | Carrying amount of consolidated statement of financial position* | Fair value* | Difference |
|---|---|---|---|
| (1) FVTPL financial assets (derivative instruments) | | | |
| Other financial assets | − | − | − |
| (2) Loans and receivables | | | |
| Trade and other receivables | 99,198 | 99,198 | − |
| Other financial assets | 26,223 | 26,218 | (5) |
| (3) Available-for-sale financial assets | | | |
| Other financial assets | 885 | 885 | − |
| (4) Cash and cash equivalents | 348,819 | 348,819 | − |
| Total assets | 475,125 | 475,120 | (5) |
| (5) FVTPL financial liabilities (derivative instruments) | | | |
| Other financial liabilities | (3,400) | (3,400) | − |
| (6) Financial liabilities measured at amortized cost | | | |
| Trade and other payables | (41,247) | (41,247) | − |
| Interest-bearing debt | (37,561) | (39,563) | (2,002) |
| Other financial liabilities | (163) | (163) | − |
| Total liabilities | (82,371) | (84,373) | (2,002) |

* The balances of liabilities are presented as the numbers in parentheses.

(Note) Items related to the methods of calculating the fair value of financial instruments, together with securities and derivative transactions

(1) (5) FVTPL financial assets and liabilities (derivative instruments)
The fair values of forward foreign exchange contracts at the end of each reporting period were determined based on the forward exchange rate at market.

(2) Loans and receivables
The fair values of loans and receivables were determined by discounting future net cash flows using rates taking into account the estimated timing of payments and credit risk.
Because trade and other receivables have short settlement periods and estimated fair values that are virtually the same as the carrying value, the carrying amount has been used as fair value.

(3) Available-for-sale financial assets
The fair values of listed shares included in available-for-sale financial assets were determined based on quoted market prices at the end of each reporting period. The fair values of unlisted shares included in available-for-sale financial assets were calculated by using a reasonable method.

(4) Cash and cash equivalents
Cash and cash equivalents have short settlement periods and estimated fair values that are virtually the same as the carrying amount.

(6) Financial liabilities measured at amortized cost
The fair values of long-term loans, bonds and finance lease obligations were determined by discounting future cash flows using rates taking into account the estimated timing of payments and credit risk.
Trade and other payables, and interest-bearing short-term debt have short settlement periods and estimated fair values that are virtually the same as the carrying amount.

**Notes to per share information**

(1) Equity per share attributable to owners of the Company ¥1,391.77
(2) Basic earnings per share ¥218.23

**Notes concerning significant subsequent events**

The Board of Directors made a resolution to purchase the Company's treasury stock on May 12, 2015 based on Article 39 of Articles of Incorporation pursuant to the first paragraph of Article 459 of the Companies Act.

1. Reason for purchase of treasury stock

The Company decided to acquire its own shares with the aim of shareholders benefit, improving capital efficiency and ensuring a flexible capital policy.

2. Outline of repurchase

(1) Class of shares: Common stock issued by Hoya Corporation
(2) Total number of shares: Up to 10 million shares (2.36% of total shares outstanding, excluding treasury stock)
(3) Total purchase cost: Up to ¥45 billion
(4) Period for purchase: May 13, 2015 to September 30, 2015
(5) Method of purchase: Purchase at the Tokyo Stock Exchange based on discretionary investment contract
(6) Others: Purchased stocks are planned to be cancelled with the aim of shareholders benefit

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(Note) Figures in the consolidated financial statements and related notes are rounded off to the nearest unit.
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**Notes to the Non-consolidated Financial Statements**

**Significant accounting policies**

1. Basis and methods for evaluation of marketable and investment securities

| | |
|---|---|
| Investment securities in subsidiaries and affiliates: | Cost determined by the moving-average method |
| Available-for-sale securities: | |
| Marketable securities: | Fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity |
| Non-marketable securities: | Cost determined by the moving-average method |

2. Basis and methods for evaluation of derivatives: Fair value

3. Basis and methods for evaluation of inventories: Primarily the lower of cost determined by the average method and net realizable value

4. Methods of depreciation of fixed assets:

| | |
|---|---|
| Property, plant and equipment (excluding leased assets) | Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998. The range of useful lives is principally from 15 to 50 years for buildings, from 4 to 10 years for machinery and equipment, and 2 to 10 years for tools, equipment and fixture. |
| Intangible fixed assets (excluding leased assets) | The straight-line method is applied. The period of amortization is 8 years for patents, 10 years for technology and 5 years for software. |
| Leased assets | The straight-line method over the lease terms with no residual value is applied for leases which do not transfer ownership of the leased assets to the lessee. |

5. Basis for the conversion of foreign currency assets and liabilities

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese Yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statement of income.

6. Allowance, reserves, and provisions

| | |
|---|---|
| (i) Allowance for doubtful accounts | The allowance for doubtful accounts is provided based on the Company's past experience of credit loss and an evaluation of the financial position of borrowers. |
| (ii) Accrued bonuses to employees | Accrued bonuses are provided at the year-end to which such bonuses are attributable in the current year. |
| (iii) Warranty provisions | Accrued warranty cost is estimated and recognized based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period. |
| (iv) Reserve for periodic repairs | Reserve for periodic repairs is provided based on the actual expenses for the latest repairs for melting furnaces. |

7. Method of accounting for national and local consumption taxes

The tax-excluded method is applied, and non-deductible tax is recognized as an expense.

**Notes to Non-consolidated Balance sheet**

| | |
|---|---|
| 1. Accumulated depreciation of property, plant and equipment | ¥127,523 million |
| The accumulated depreciation includes the accumulated impairment losses. | |
| 2. Contingent liabilities | ¥248 million |
| Guarantees for lease payments of the following company | |
| PENTAX U.K. LTD. | ¥248 million |
| 3. Monetary receivables from and payables to subsidiaries and affiliates (excluding classified items in the non-consolidated balance sheet) | |
| (1) Short-term receivables | ¥18,924 million |
| (2) Long-term receivables | ¥1,241 million |
| (3) Short-term payables | ¥12,399 million |

**Notes to Non-consolidated Statement of income**

| | |
|---|---|
| Transactions with subsidiaries and affiliates | |
| (1) Sales | ¥45,129 million |
| (2) Purchases including commissions | ¥47,684 million |
| (3) Non-operating transactions | ¥21,080 million |

**Notes to Non-consolidated Statement of Changes in Net Assets**

Matters relating to the number of treasury shares

| Share class | Balance at April 1, 2014 | Increase | Decrease | Balance at March 31, 2015 |
|---|---|---|---|---|
| Ordinary shares | 2,922,321 shares | 9,235,446 shares | 10,305,824 shares | 1,851,943 shares |

(Note) Details of the increase and decrease in the number of treasury shares are as follows:

| | |
|---|---|
| Increase due to repurchase of treasury shares: | 9,234,100 shares |
| Increase due to repurchase of odd-lot shares: | 1,346 shares |
| Decrease on cancellation of treasury shares: | 9,234,100 shares |
| Decrease on exercise of stock options: | 1,071,600 shares |
| Decrease due to disposal of odd-lot shares: | 124 shares |

**Notes relating to tax effect accounting**

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause of accrual (As of March 31, 2015）

(1) Current

| | |
|---|---|
| Deferred tax assets | |
| Accrued bonuses | ¥1,336 million |
| Valuation loss on inventories | 470 |
| Enterprise tax payable | 293 |
| Severance payments | 149 |
| Excess of allowance for doubtful accounts | 87 |
| Others | 1,480 |
| Deferred tax assets – sub-total | 3,815 |
| Valuation allowance | (332) |
| Net amount of deferred tax assets – current | ¥3,483 |

(2) Non-current

| | |
|---|---|
| Deferred tax assets | |
| Write down of investment in subsidiaries and affiliates | ¥3,379 million |
| Excess of depreciation | 838 |
| Write down of investment securities | 630 |
| Stock options | 582 |
| Excess of allowance for doubtful accounts | 560 |
| Impairment losses | 485 |
| Asset retirement obligation | 297 |
| Reserve for periodic repairs | 205 |
| Others | 461 |
| Deferred tax assets – sub-total | 7,437 |
| Valuation allowance | (5,417) |
| Total amount of deferred tax assets – non-current | 2,020 |
| Deferred tax liabilities | |
| Reserve for advanced depreciation of fixed assets | (77) |
| Tax goodwill | (53) |
| Others | (68) |
| Total amount of deferred tax liabilities – non-current | (198) |
| Net amount of deferred tax assets – non-current | ¥1,822 |

2. Adjustments to deferred tax assets and liabilities due to the change of the corporate tax rate

On March 31, 2015, the “Act for partial Revision of the Income Tax Act” (Act No. 9, 2015) and the “Act for partial Revision of the Local Tax Act” (Act No. 2, 2015) were officially announced, and the corporate tax was lowered from the year beginning April 1, 2015. As a result of the changes, the statutory income tax rate used to calculate deferred tax assets and liabilities for temporary differences expected to reverse in the fiscal years beginning on April 1, 2015 and April 1, 2016 was reduced to 33.0% and 32.0%, respectively, from the previous rate of 35.5%. The effect of this change was to decrease deferred tax assets in the non-consolidated balance sheet as of March 31, 2015 by 421 million and to increase income taxes-deferred in the non-consolidated statement of income for the year then ended by 421 million.

**Notes concerning transactions with related parties**

1. Subsidiaries and affiliates

| Type | Name of the related parties | Rate of the voting rights | Relationship with related parties | Transaction details (Note 5) | Transaction amount (Millions of yen) (Note 1) | Item | The balances due to or from the related parties (Millions of yen) |
|---|---|---|---|---|---|---|---|
| Subsidiary | HOYA ELECTRONICS SINGAPORE PTE. LTD. | Direct ownership of 100.00% | Supplier<br>Concurrent post of directors (Note 2) | Purchase of products | 13,442 | Accounts payable-trade | 3,499 |
| Subsidiary | HOYA HOLDINGS N.V. | Direct ownership of 100.00% | Entrustment of cash management<br>Concurrent post of directors (Note 2) | Deposit or borrowing of funds through a cash pooling (Note 3) | 265 | Deposit | 2,842 |
| Affiliate | AvanStrate, Inc. | Direct ownership of 46.57% | Loans of funds<br>Concurrent post of auditors (Note 4) | Loans of funds<br>Interest received<br>Advance paid | 8,500<br>179<br>390 | Current portion of long-term loans to subsidiaries and affiliates<br>Accrued revenue<br>－ | 8,500<br>62<br>－ |

(Note) Terms and conditions of transactions and the policy for determining them:

1. Transaction amounts above do not include consumption tax and other taxes.
2. Employees of the Company concurrently serve as directors of the subsidiaries.
3. Transaction amount of deposit or borrowing of funds through a cash pooling is the average balance during the year ended March 31, 2015.
4. Employees of the Company concurrently serve as auditors of the affiliate.
5. Purchase price is determined by negotiation considering market prices and other factors.
   Interest rates on deposit or borrowing of funds through a cash pooling are determined considering market rates.
   Interest rates on loans are determined considering market rates.
   The term of repayment is October 30, 2015 by batch payment.
   The platinum owned by a subsidiary of the affiliate is pledged as collateral.
   The Company temporarily pays some expenses at cost on behalf of the affiliate.

2. Directors, officers, and major individual shareholders

| Type | Name of the related parties | Rate of the voting rights | Relationship with related parties | Transaction details (Note 3) | Transaction amount (Millions of yen) (Note 1) | Item | The balances due to or from the related parties (Millions of yen) |
|---|---|---|---|---|---|---|---|
| Directors and officers | Yukiharu Kodama | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 15 | － | － |
| Directors and officers | Itaru Koeda | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 44 | － | － |
| Directors and officers | Yutaka Aso | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 29 | － | － |
| Directors and officers | Mitsudo Urano | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 14 | － | － |
| Directors and officers | Yuzaburo Mogi | (Held) Direct ownership of 0.00% | Outside director of the Company (Note 2) | Exercises of stock options | 25 | － | － |
| Directors and officers | Girts Cimermans | (Held) Direct ownership of －% | Officer of the Company | Exercises of stock options | 102 | － | － |

(Note) Terms and conditions of transactions and the policy for determining them:

1. Transaction amounts above do not include consumption tax and other taxes.
2. The director retired due to the expiration of the term at the shareholders' meeting held on June 18, 2014. The transaction was made during the term.
3. Stock options were exercised in accordance with the contracts at the date of options granted.

**Notes to per share information**

(1) Net assets per share ¥393.07
(2) Basic earnings per share ¥69.21

**Notes concerning significant subsequent events**

The Board of Directors made a resolution to purchase the Company’s treasury stock on May 12, 2015 based on Article 39 of Articles of Incorporation pursuant to the first paragraph of Article 459 of the Companies Act.

1. Reason for purchase of treasury stock

The Company decided to acquire its own shares with the aim of shareholders benefit, improving capital efficiency and ensuring a flexible capital policy.

2. Outline of Repurchase

(1) Class of shares: Common stock issued by Hoya Corporation
(2) Total number of shares: Up to 10 million shares (2.36% of total shares outstanding, excluding treasury stock)
(3) Total purchase cost: Up to ¥45 billion
(4) Period for purchase: May 13, 2015 to September 30, 2015
(5) Method of purchase: Purchase at the Tokyo Stock Exchange based on discretionary investment contract
(6) Others: Purchased stocks are planned to be cancelled with the aim of shareholders benefit

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(Note) Figures in the non-consolidated financial statements and notes are rounded off to the nearest unit.
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